

**COPY-**

**Application**

**Cookeville**

**Regional**

**Medical Center**

**CN1305-016**

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 **COOKEVILLE REGIONAL MEDICAL CENTER**  
1 MEDICAL CENTER BOULEVARD  
COOKEVILLE, TENNESSEE 38501  
(931) 783-2621

CHECK NUMBER  
00335339

87-564

641

VOID AFTER 90 DAYS  
FROM CHECK DATE

AMOUNT  
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\*\*\*\*\*Twenty-Five Thousand Two Hundred Nineteen Dollars and Zero Cents

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STATE OF TENNESSEE  
Health Services and Dev Agency  
Office 31607001  
5/9/2013 2:56 PM

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Workstation: AF0719WP45

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CON Filing Fees

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CN1305-016



COOKEVILLE REGIONAL  
MEDICAL CENTER

*The Proven Choice*

1 Medical Center Boulevard, Cookeville, TN 38501  
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*For proven care, visit [www.crmchealth.org](http://www.crmchealth.org)*

May 7, 2013

Melanie M. Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Frost Building 3<sup>rd</sup> Floor  
161 Rosa L. Parks Blvd  
Nashville, Tennessee 37243

RE: CON Application Submittal  
Cookeville Regional Medical Center – Pharmacy and Central Sterile Supply renovation  
and expansion.

Dear Mrs. Hill:

This letter transmits an original and two copies of the subject application. The affidavit and filing fee of \$25,219 are also enclosed as well as the Letter of Intent and the Publication of Intent along with a copy of the relevant page from the Herald Citizen dated May 9, 2013.

I am the contact person for this project. Additionally, you may contact John Beal from my office as well in the event you need additional information. We look forward to working with the Agency on this project.

Respectfully,

Paul Korth  
Chief Executive Officer

**COOKEVILLE REGIONAL MEDICAL CENTER**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**RELOCATION AND EXPANSION OF PHARMACY AND  
EXPANSION AND RENOVATION OF CENTRAL STERILE  
SUPPLY.**

Submitted May 9, 2013





2013 MAY 9 PM 2 52

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY


The Publication of Intent is to be published in the Herald-Citizen which is a newspaper of general circulation in Putnam, Tennessee, on or before May 8, 2013 for one day.

(County) (Month / day) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Cookeville Regional Medical Center a hospital  
(Name of Applicant) (Facility Type-Existing)  
 owned by: Cookeville Regional Medical Center Authority with an ownership type of Governmental  
 and to be managed by: itself intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]:

The renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within Central Sterile Supply Department and the relocation and expansion of the in-patient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is \$11,546,920.

The anticipated date of filing the application is: May 8, 2013  
 The contact person for this project is Paul Korth CEO  
(Contact Name) (Title)  
 who may be reached at: Cookeville Regional Medical Center 1 Medical Center Boulevard  
(Company Name) (Address)  
Cookeville TN 38501 931-783-2000  
(City) (State) (Zip Code) (Area Code / Phone Number)  
 May 1, 2013 pkorth@crmchealth.org  
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency  
 The Frost Building, Third Floor  
 161 Rosa L. Parks Boulevard  
 Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



**PUBLICATION OF INTENT  
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.

**NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Cookeville Regional Medical Center

(Name of Applicant)

(Facility Type-Existing)

owned by: Cookeville Regional Medical Center Authority with an ownership type of Governmental

and to be managed by: itself intends to file an application for a Certificate of Need

for (PROJECT DESCRIPTION BEGINS HERE):

The renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within Central Sterile Supply Department and the relocation and expansion of the in-patient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is \$11,546,920.

The anticipated date of filing the application is: May 8, 2013

The contact person for this project is Paul Korth

(Contact Name)

CEO

(Title)

who may be reached at: Cookeville Regional Medical Center 1 Medical Center Boulevard

(Company Name)

(Address)

Cookeville

(City)

TN

(State)

38501

(Zip Code)

931-783-2000

(Area Code / Phone Number)

**Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:**

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

1. **Name of Facility, Agency, or Institution**

Cookeville Regional Medical Center  
Name  
1 Medical Center Blvd  
Street or Route  
Cookeville  
City  
TN  
State  
Putnam  
County  
38501  
Zip Code

2. **Contact Person Available for Responses to Questions**

Paul Korth  
Name  
Cookeville Regional Medical Center  
Company Name  
1 Medical Center Blvd  
Street or Route  
Cookeville  
City  
TN  
State  
38501  
Zip Code  
Chief Executive Officer  
Title  
pkorth@crmchealth.org  
Email address  
931 783 2000  
Phone Number  
931 526 8814  
Fax Number

3. **Owner of the Facility, Agency or Institution**

Cookeville Regional Medical Center Authority  
Name  
1 Medical Center Blvd  
Street or Route  
Cookeville  
City  
TN  
State  
931 783 2000  
Phone Number  
Putnam  
County  
38501  
Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship ☐  
B. Partnership ☐  
C. Limited Partnership ☐  
D. Corporation (For Profit) ☐  
E. Corporation (Not-for-Profit) ☐  
F. Government (State of TN or Political Subdivision) ☒  
G. Joint Venture ☐  
H. Limited Liability Company ☐  
I. Other (Specify) ☐  
see attachment A-4 tab 1

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

not applicable

Name

Street or Route

City

State

County

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership ☐ D. Option to Lease ☐

B. Option to Purchase ☐ E. Other (Specify) ☐ see attachment A- 6 tab 2

C. Lease of  Years ☐

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify) <input type="text"/> general <input checked="" type="checkbox"/>	I. Nursing Home <input type="checkbox"/>
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <input type="checkbox"/>	J. Outpatient Diagnostic Center <input type="checkbox"/>
C. ASTC, Single Specialty <input type="checkbox"/>	K. Recuperation Center <input type="checkbox"/>
D. Home Health Agency <input type="checkbox"/>	L. Rehabilitation Facility <input type="checkbox"/>
E. Hospice <input type="checkbox"/>	M. Residential Hospice <input type="checkbox"/>
F. Mental Health Hospital <input type="checkbox"/>	N. Non-Residential Methadone Facility <input type="checkbox"/>
G. Mental Health Residential Treatment Facility <input type="checkbox"/>	O. Birthing Center <input type="checkbox"/>
H. Mental Retardation Institutional Habilitation Facility (ICF/MR) <input type="checkbox"/>	P. Other Outpatient Facility (Specify) <input type="text"/> <input type="checkbox"/>
	Q. Other (Specify) <input type="text"/> <input type="checkbox"/>

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution <input type="checkbox"/>	G. Change in Bed Complement <input type="checkbox"/>
B. Replacement/Existing Facility <input type="checkbox"/>	<i>[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]</i>
C. Modification/Existing Facility <input checked="" type="checkbox"/>	
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) <input type="text"/> <input type="checkbox"/>	H. Change of Location <input type="checkbox"/>
E. Discontinuance of OB Services <input type="checkbox"/>	I. Other (Specify) <input type="text"/> <input type="checkbox"/>
F. Acquisition of Equipment <input type="checkbox"/>	

**9. Bed Complement Data**

*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	169		169		169
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical	12		12		12
E. ICU/CCU	46		38		46
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation	20		20		20
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>	247		239		247

\*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 44-0059  
**Certification Type** Hospital Acute Care

11. **Medicaid Provider Number** 0440059  
**Certification Type** General Acute Care

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?** N/A

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?** Yes ☐ If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

*Discuss any out-of-network relationships in place with MCOs/BHOs in the area.*

**A. 13 Response:** AmeriChoice and AmeriGroup are the two TennCare MCOs operating in our service area. Yes, TennCare participants are routinely patients in our facility. CRMC currently has a contract with both AmeriChoice (A3850101) and AmeriGroup (1000116). In addition we also have a contract with TennCare Select (1000116).

The following is a list of all MCO's with which CRMC has an existing contract.

<b><u>COMMERCIAL PLANS</u></b>
<b>Beech Street - A Viant Network</b>
<b>BlueCross BlueShield of TN – Networks P, S &amp; CoverTN</b>
<b>Carthage/Trousdale Hospital Employee Health Plan</b>
<b>Center Care</b>
<b>CIGNA - PPO/PPN Plan, Flex/Gatekeeper Plan (includes Great-West Healthcare)</b>
<b>CompPlus/Prime Health Services</b>
<b>First Health – A Coventry Health Care Company</b> (includes Affordable, CCN, & Medview)
<b>Government Employees Hospital Association (GEHA)/PPO USA</b>
<b>Health Payors</b>
<b>HealthScope Benefits (formerly CNA Health Partners, CoreSource)</b>
<b>HealthTrac</b>
<b>Humana Choice Care (formerly Employers Health Insurance Company)</b>
<b>MultiPlan</b> (includes America's Health Plan, BCE Emergis, United Payors & United Providers effective Sept 1, 2004) <i>Merged with PHCS.</i>
<b>NovaNet – Letter of Agreement</b>
<b>One Call Medical</b> Work Comp only – applies to Imaging Services
<b>Perdue Farms</b>
<b>Private Healthcare Systems</b> <i>Merged with MultiPlan.</i>
<b>Signature Health Alliance</b>
<b>The Initial Group</b>
<b>USA Managed Care</b>
<b>United Healthcare of TN – includes John Deere Health Care River Valley Entities</b>

<b><u>GOVERNMENT PROGRAMS</u></b>
<b>Medicare</b>
<b>TennCare MCOs -</b>
<b>Amerigroup</b>
<b>AmeriChoice</b>
<b>TennCare Select/BlueCare</b>
<b>BHOs-</b>
<b>TN Behavioral Health/Premier Behavioral (E/R only)</b>
<b>TN Children's Special Svcs</b>
<b>Tennessee Dept of Health - TN Breast &amp; Cervical Cancer Early Detection Program</b>
<b>TriCare administered by Humana Military Healthcare Services</b>

<b>United Mine Workers</b>
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<b>HOSPICE CONTRACTS</b>
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<b>(Inpatient only)</b>
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<b>Caris Healthcare</b>
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Pain Management – Levels I & II
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<b>Lazarus House</b>
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Pain Management – Levels I & II
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Respite Care
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## **SECTION B: PROJECT DESCRIPTION**

**B.1. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, proposed cost, funding, financial feasibility and staffing.**

### **Response:**

#### **Proposed Renovations.**

Cookeville Regional Medical Center (CRMC) is an acute care hospital on the Cumberland Plateau. It is the largest provider between the Nashville and Knoxville metropolitan area.

CRMC recently completed the expansion and renovation of our surgery suites as part of Certificate of Need CN01008-035A approved November 7, 2010 and completed on 12/18/2012. That project expanded our number of surgical suites to 16. This proposed project will renovate and expand the central sterile department which supports the operating rooms. As part of the expansion, it will be necessary to relocate the inpatient pharmacy to shelled in space that was part of Certificate of Need CN0505-039A. The expansion and renovation of central sterile will be staged so as not to interrupt the services of the department. The relocation and expansion of the inpatient pharmacy will also be staged so as not to interrupt the services of the department. Also the new location of the inpatient pharmacy will have no adverse impact on the ability to dispense pharmaceuticals in a safe and efficient manner.

#### **Ownership Structure.**

Cookeville Regional Medical Center Authority is a private act hospital authority that operates CRMC. The City of Cookeville owns the real estate and buildings. Attachment B 1 tab 3 contains a more detail of the ownership structure.

#### **Service Area**

Cumberland Plateau is midway between Nashville and Knoxville urban areas.

The primary and secondary service area for CMRC has a total population of over 323,954 per the U.S. Census Bureau. The primary service area includes Putnam, Jackson, White and Overton Counties. The secondary service area includes Clay, Cumberland, DeKalb, Fentress, Macon, Pickett, Smith, Van Buren and Warren Counties. The US Census Bureau estimates that the population in our service area will exceed 342,166 by 2015. Attachment B 1 Tab 4 is a copy of the Population statistics and Attachment B 1 Tab 5 is a map of our primary and secondary service area.

#### **Need**

Central Sterile Supply - The Central Sterile Supply Department (CSS), comprises that service within the hospital in which medical/surgical supplies and equipment, both sterile and non-sterile, are cleaned, prepared, processed, stored, and issued for patient care. It is



a vital part of any hospitals infection control program. Our current CSS has 9,226 square feet and is equipped with 2 washer/disinfectors, 1 small sterilizer, 2 medium sterilizers, 1 cart wash and 1 sonic washer (not valid for use with da vinci robotic wrists). All of our equipment is over 12 years old and is in constant need of repair. The workload in CSS has increased dramatically over the past 5 years with no increase in space or equipment. In 2008 we processed 7,178 case carts compared to 9,294 in 2011. Additionally in 2008 we processed 63,458 instrument sets compared to 82,467 in 2011. This project will expand CSS to 15,368 square feet and will replace all major sterilizing equipment with 4 washer/disinfectors, 4 sterilizers (2 automated), 1 large capacity cart wash and 1 sonic washer that is validated for da vinci robotic wrists.

Pharmacy current occupies 4,155 square feet and will be expanded to 5,781 square feet. The added space will improve the efficiency of the department and allow room for expansion of additional hoods for sterile compounding, and an additional medicine carousel.

Staffing Central Sterile currently has 43 positions that are broken down into 3 major service areas, Sterile Processing, Surgical Materials and Equipment Management. The expansion and renovations will neither increase nor decrease the number of employees.

There will be no staffing changes in pharmacy as a result of this project.

Existing Resource While the facility currently has both a central sterile supply and a pharmacy, both departments need additional square footage. The equipment in CSS is over 12 years old and needs replaced with more efficient modern sterilizers that will increase the efficiency of the department. Pharmacy is also currently undersized and is landlocked with no room for expansion in its current location.

#### Project Cost

The total cost of the project including new equipment, construction, renovation and relocation of the pharmacy \$11,546,920.

#### Funding

The project will be funded from cash reserves of CRMC.

#### Financial Feasibility

The Hospital operates with a positive margin. The addition of this proposed capital expense will not negatively affect our operating margin. The construction time will be approximately 30 months beginning as soon as the CON is approved and concluding around October 2015, which will spread the expense over the current budget year (\$411,423), FY 2013-2014 (\$4,235,249, FY 2014-2015 (\$5,980,569 and FY 2015-2016 (\$919,679)

**B II Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

**B. II A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.**

**If the project involves none of the above, describe the development of the proposal.**

**Response:**

The existing CSS department is undersized and unable to accommodate the processing equipment and clean / sterile storage required to support 16 existing ORs. The CSS processing equipment is at end of useful life and requires frequent repairs. The existing CSS department is ideally located on the second floor of the East wing directly above the existing Surgery department and connected by two elevators for clean and soiled transport of supplies and instruments. There is no suitable area within the existing facility for a complete relocation of the existing CSS department. The existing CSS department is bordered by exterior walls on three sides and the Pharmacy department on the fourth. To allow for the expansion and renovation of the existing CSS department, the existing 4,155 square foot Pharmacy department requires relocation. This also allows for a right sized Pharmacy to be constructed that allows for growth.

**PHARMACY**

A medication dispensing robot and carousel were added in the Pharmacy in 2006. While resulting in safer and more efficient dispensing, the space used for that equipment has contributed to inefficient workflow, cramped staff workspaces scattered throughout the facility, and scattered refrigeration locations / inadequate storage in the Pharmacy itself. The new 5,781 square feet pharmacy will be constructed in a shell space on the first floor of the A wing of the North Patient Tower. The facility master plan anticipated use by this type of service. The new Pharmacy will contain the relocated robot, relocated carousel, new carousel, sterile compounding clean room with four workstations, consolidated storage / refrigerated storage, dedicated receiving and purchasing functions, seventeen workspaces and four offices for pharmacists, clinicians and students. A dedicated receiving anteroom with drive and canopy will be added to the building exterior outside this space to provide for secure drug delivery. A second pneumatic tube station will be added to a relocated station for connectivity to all inpatient, outpatient, OB, and ER units.

A six stop elevator will be added in an existing empty shaft nearby this area to provide capacity for cart delivery to medication cabinets in all nursing units.

Construction of the above described Pharmacy includes the complete build-out of this space in a shell area including floor slab, all finishes, all HVAC, plumbing, fire protection and electrical work. To support the HVAC requirements of this area, an air handling unit will be added in a second floor mechanical space above the new area with new outside air access. The new six stop traction elevator includes cab, doors, rails, HVAC, plumbing, fire protection, electrical and penthouse related work. The exterior entrance work includes all civil / site work and canopy.

Costs for this new Pharmacy area are estimated to be \$1,715,877 or \$296.81 / Square Foot for this 5,781 SF area. In addition, construction cost items which would skew this \$/SF number if added on a SF basis are \$616,881 for the new elevator work, \$143,390 for the new Air Handler work, \$125,559 for the new entrance work and \$88,671 for structural work. These costs, if added to the true renovation area, would add \$168.57 / SF to the \$296.81 / SF for a total of \$465.38 / SF. It is anticipated this will require seven months for construction.

Attachment B IIA Tab 6 is a configuration of the current space with annotations of current needs in Pharmacy

Attachment B II A Tab 7 is the new configuration of Pharmacy after it will be relocated into the shelled in space on the first floor of the Hospital along with annotations of the advantages of the new space. The relocation of pharmacy to the first floor does not adversely affect the delivery of pharmaceuticals to the nursing units. Many medications are delivered through our pneumatic tube system, which will be expanded to the new pharmacy location. Additionally drug carts will have easy access to elevators for transportation to the nursing units.

## CENTRAL STERILE SUPPLY

After the relocation of the pharmacy the construction of the new 15,368 CSS area can begin in phases that will allow the department to remain in operation during the 20-24 month CSS renovation and expansion project. The renovation actually expands the usable space beyond the 4,155 currently occupied by Pharmacy due to removal of walls and hallways so that the usable area for CSS actual increases by 6,142 square feet. Existing CSS department is 9,226 SF in area. The major new CSS equipment will consist of four automated washer decontaminators, four large sterilizers, one sonic washer, one cart washer and ten process/packing workstations (+2 future). This replaces all major items of equipment and more than doubles the current through-put capacity to process trays and case carts and would support in excess of 60 surgery cases per day. The project also provides an improved receiving area, increased sterile storage for reusable and disposable items, and proper location for ancillary support functions.

The construction is planned in seven major phases beginning with demolition of the vacant pharmacy space and constructing the new decontamination area and support spaces. The existing soiled elevator cab will be reworked to add a rear opening door to allow access to this “flipped” location of decontamination. New cart wash and washer

decontaminators will then be put in use. This allows the closing of the old decontamination area to be renovated for the new sterilizer locations. After new sterilizers are in operation the old sterilizer installation can be removed and renovated for additional process / packaging area. Then the clean and sterile storage areas are renovated and reconfigured.

Construction of the above described 15,368 SF CSS department includes the complete renovation of this space from floor deck to deck above, including all finishes, all HVAC, plumbing, fire protection and electrical work. To support the HVAC requirements of this area, a properly sized replacement air handling unit will be added in a third floor mechanical space near this new CSS area along with new outside air access. The elevator work includes a reworked cab and doors. There is anticipated to be minor amounts of asbestos abatement required in this area performed as the work progresses.

Costs for this new CSS area are estimated to be \$4,812,125 or \$313.13 / SF. for this 15,368 SF space. In addition, construction cost items which would skew this \$/SF number if added on a SF basis are \$96,436 for the elevator work and \$290,479 for the new Air Handler work. These costs, if added to the true renovation area, would add \$25.18 / SF to the \$319.40 / SF for a total of \$344.58 / SF. It is anticipated this will require twenty months for phased construction.

Attachment B II A Tab 8 is the current configuration of CSS and Pharmacy. Attachment B II A Tab 9 is the current configuration of CSS broken down by function. Attachment B II A Tab 10 is the proposed configuration of CSS after the expansion and renovation.

Central Sterile Supply (CSS) will be expanded from 9,226 square feet to 15,368. Additionally all of the major equipment within CSS will be replaced in addition to increasing the number of washer/disinfectors, sterilizers and a larger cart washer.

The workload of CSS has grown significantly over the last five year to the point where the demand will soon exceed the ability of the department to process the needed equipment in a timely fashion, leading to surgical delays and the compromise of patient care. While there was a decline in FY 2012 it has rebounded in the current fiscal year. The decline in FY 2012 was a combination of the construction of new operating suites which caused some disruption and the loss of a general surgeon. However, in December 2012 we completed the expansion of our surgical suites from 10 to 16 and recruited a new general surgeon to the community who started in the middle of 2012. Additionally we have a new OB'GYN starting a practice in the community in September 2013, 2 new invasive cardiologists joining the cardiology practice in July 2013 and one of the urology practices is recruiting another urologist for late 2013. These factors will increase the demands upon CSS. Below is a chart of the number of case carts built over the past six years.

FY 08	7,178
FY 09	7,672
FY 10	8,260
FY 11	9,294
FY 12	7,235
FY 13	8,683 (Projected Annualization based upon 10 months of data.

The processing of instrument sets is also a measurement of the workload of CSS. Below is a comparison of the increase in instrument sets processed since 2008. The same decline occurred in FY 2012 but has clearly bounced back in 2013 for all the same reasons as set forth above.

FY 08	63,458
FY 09	65,693
FY 10	72,952
FY 11	82,467
FY 12	71,436
FY 13	85,616 ( projected annualization based upon 10 months of data.

This is an estimated 30 month completion project for both pharmacy and CSS. If we do not start on this project now, we will not be able to meet the demands in the future.

Not only is this an expansion of space but it is also the replacement of equipment that is soon nearing its lifespan. All of our major equipment in CSS is over 12 years old. The current space does not allow for adding any additional equipment nor does it allow for replacing the current equipment with more modern equipment. First and foremost the newer equipment will not fit in the footprint of the equipment that it would be replacing. Secondly, because of the lack of space we could not shut down equipment in order to replace it without severely interrupting surgical services.

Upon completion this will be sufficient space for CSS for well over the next 10-15 years.

2013 MAY 9 PM 2 53

### SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Pharmacy	2nd flr East w	4155		1st flr A North	5781		5781	296.81		296.81
CSS	2nd flr East w	9226		2nd flr East w	15368		15368	313.13		313.13
B. Unit/Depart. GSF Sub-Total		13381			21149			308.67		308.67
C. Mechanical/ Electrical GSF					in above			20.52		20.52
D. Circulation /Structure GSF					in above			43.85		43.85
E. Total GSF					21149			373.04		373.04

**B. II. B** Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

**Response:** Not Applicable

**B. II. C.** As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**Response:** Not applicable. This is an expansion of central sterile and relocation and expansion of inpatient pharmacy



**B. II. D.      Describe the need to change location or replace an existing facility.**

**Response:**      Not Applicable. The only location change is relocating inpatient pharmacy from one location within the building to another location within the building.

**B. II. E.** Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

**1. For fixed-site major medical equipment (not replacing existing equipment):**

**a. Describe the new equipment, including:**

- 1. Total cost ;(As defined by Agency Rule).**
- 2. Expected useful life;**
- 3. List of clinical applications to be provided; and**
- 4. Documentation of FDA approval.**

**b. Provide current and proposed schedules of operations.**

**Response:**

Not Applicable. While we will be purchasing some new equipment for central sterile and pharmacy it does not involve the purchase of any major medical equipment which exceeds the threshold limits.

**2. For mobile major medical equipment:**

- a. List all sites that will be served;**
- b. Provide current and/or proposed schedule of operations;**
- c. Provide the lease or contract cost.**
- d. Provide the fair market value of the equipment; and**
- e. List the owner for the equipment.**

**Response:**

Not Applicable

**3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

**Response:**

Not Applicable

**B. III. A. Attach a copy of the plot plan of the site on an 8 ½ x 11 sheet of white paper which must include**

- 1        Size of site (in acres);**
- 2        Location of structure on the site; and**
- 3        Location of the proposed construction.**
- 4        Names of streets, roads or highway that cross or border the site**

**Response:**

The main Hospital building that houses the area in question sits on approximately 7 acres. The entire hospital site including parking and physical plant is approximately 17.9 acres. Attachment B III A, Tab 11 shows the Hospital and its surrounding streets with an insert as to where the Hospital sits in relationship to major highways in the area.

The renovations to central sterile are on the second floor of the Hospital. See Attachment B III A Tab 12 shows the current location of Pharmacy and CSS on the second floor of the Hospital.. Attachment B III A Tab 13 is the shelled in space on first floor of the Hospital. The inpatient pharmacy will be relocated first so as not to interrupt pharmacy services and then central sterile will be expanded into the area previously occupied by the inpatient pharmacy. Attachment B III A Tab 14 identifies the perimeter streets surrounding the Hospital.

**B. III. B. 1** Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed sit to patients/clients.

**Response:**

The Hospital is located within the City of Cookeville, approximately five miles from I-40 via a major street. Cookeville has recently established a local bus service which includes a stop on the Hospital Campus. The Hospital has been at its present location for many decades and is considered easily accessible to area patients/clients.

**B IV**        **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private) ancillary areas, equipment areas, etc on an 8 ½ x 11 sheet of white paper.**

**Response:**

The new location of the inpatient pharmacy is being constructed in a portion of the shelled in area on the first floor of the North Patient Tower. The expansion and renovation of central sterile is on the second floor and in the current location of central sterile and inpatient pharmacy. There are no patient rooms affected by this project. Attachment B IV Tab 15 is a drawing of the area involved in the renovation of central sterile. The darker shaded area is the current location of inpatient pharmacy and is also the area into which central sterile will be expanding. Attachment B IV Tab 16 is the new location for inpatient pharmacy.

**B V For Home Health Agency or Hospice identify:**

- 1. Existing service area by County**
- 2. Proposed service area by County**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

**Response** Not Applicable

**C 1 (Need) : Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

**a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

**b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

**Response:**

For renovation or expansion of an existing licensed health care institution;

- a. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

Central Sterile Supply - As indicated in response to B.1 the services supplied by Central Sterile Supply over the past five years have grown significantly. The number of case carts built has increased almost 30% from FY 2008 to FY 2011. Although there was a decline in FY 2012 that was temporary due to several factors and we have seen a 20% in FY 2013. With the opening of 6 new operating suites in December 2012 and the recruitment of additional surgeons the numbers will continue to increase. In addition the number of Instrument sets processed by CSS has increased by 30% from FY 2008 to FY 2011. Except for a temporary decrease in 2012, the numbers of instrument sets needed in the future will only continue to grow. The surgical volume at CRMC will continue to grow, whether it is outpatient surgery, inpatient surgery, labor and delivery or special procedures and the need for CSS services likewise continues to grow. Additionally as more complex surgical cases are being done the number of surgical sets needed per case continues to increase. In FY 2009 the average number of surgical sets per case was 8.6 and by FY 2011 that had increased to 8.9 per case. When we proposed the expansion of surgical rooms in 2010 we anticipated adding a sterilizer and a washer/decontaminator to CSS. It soon became evident that this would only be a band aid approach and would provide us with no long term solution. Further, we would have spent dollars renovating space that would soon have to be redone when it became necessary to renovate the entire CSS department, which we anticipated would be soon after completion of the surgical suite expansion. Thus we elected not to add the washer/decontaminator at that time.

The Need for the CSS part of the project is twofold, to give the department a larger footprint in order for it to be more efficient and be able to handle the future needs and to replace equipment that has reached its life span. Even if we did not need additional space, we would have to replace the existing equipment and some of the newer equipment will not fit in the current footprint.

Pharmacy If Pharmacy were not located in the space needed for CSS, we would not likely need to expand or renovate Pharmacy at this time. However, since it has to be relocated, and the ideal space available is the shelved in space in the North Patient Tower the only logical approach is to relocate Pharmacy into that space and allow for expansion

of Pharmacy in the future. No new services are being added to Pharmacy, but the new space will allow for adding an additional medicine carousel.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Central Sterile Supply CSS has not had any increase in space or added any new equipment in over twelve years. The facility has continued to grow in average daily census and in surgical volume but without any changes to CSS. We are now at the point where it is necessary to make the necessary renovations and expansion of CSS. CSS is the central point of any hospital's infection control program. It is responsible for the sterilization of all instruments. Without an efficient and properly designed CSS, the surgical services at the facility will be compromised.

Pharmacy The last renovation to pharmacy was in 2006 when we added the Robot. While the Robot resulting in increased safety and more efficient dispensing, it also compressed the existing space and decreased the efficiency of workflow and allowed for no room for expansion. Pharmacy also has outgrown its current space and relocating it to the shelled in space on the first floor will improve workflow and allow for any needed expansion for the next 10-15 years.



**C 2 (Need)**

**Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

**Response:** CRMC's mission is to improve the health of the residents of the Upper Cumberland Region of Central Tennessee, to provide the scope and the quality of services which best meet the needs of the community, to make available to citizens in our primary and secondary service area ready access to the latest technology and diagnostic services that will assist our medical staff in rendering high quality medical care and to provide these services at the lowest possible cost.

CRMC developed a Master Plan in 2000. That plan is reviewed every 2 to 3 years and each project that CRMC has undertaken since revolves around the Master Plan, beginning with the North Patient Tower, the expansion of the surgical suites and now the expansion of CSS and Pharmacy. The Master Plan takes into account the age of the different areas of the facility, the location of the core service elements and makes sure that when a new project is proposed it is a project that will serve the needs of the facility for years to come. When we built the North Patient Tower, the Master Plan provided for shelved in space for future operating rooms as well as shelved in space for expansion of other support departments. When we designed the new surgical suites and got CON approval, the Master Plan also projected a need to expand and renovate CSS at some point in the future. It was also clear in our Master Plan that the renovation would involve the relocation of Pharmacy. We are now at that point where we need to expand and renovate CSS, replace end of life equipment and relocate Pharmacy. This expansion is consistent with long range planning that started in 2005 with the planning of the North Patient Tower.

**C. 3 (Need).** Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

**Response:** Our primary service area is Putnam, White, Jackson and Overton Counties with Clay, Pickett, Fentress, Cumberland, Van Buren, DeKalb, Warren, Macon and Smith Counties comprising our secondary service area. Please see Attachment C 3 Need Tab 17.

#### **C 4 (Need)**

**A. Describe the demographics of the population to be served by this proposal.**

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

#### **Response:**

The service area is largely rural.

The need for CSS services and Pharmacy is neither age specific, gender specific, race specific nor income level specific. They are support departments within the facility that are vital to the services that we provide.

Attachment C 4, Need, Tab 18 provides the total population for 2010 and projected 2014 by county within our service area for individuals age 65 and over as well as the 2009 population by county in our service area of TennCare recipients.

Also Attachment C 4 Need, Tab 19 is a chart comparing the median income and per capita income in the counties within our service area compared to Tennessee as a whole.

**C 5 (Need).** Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**Response:**

Central Sterile Supply is a support department which exists in any inpatient facility that offers surgical procedures. The issue is not the number of central sterile supply departments but the needed size of the department necessary to support the services provided at any particular institution. It is not possible to compare the size of one hospital's central sterile supply department to another, such information is not readily available and would not in and of itself provide any useful information.

Further the relocation of the inpatient pharmacy is not the establishment of any new service. Comparing the inpatient pharmacy at CRMC to the inpatient pharmacy at other institutions will not result in any useful information, nor is the size of other institutions' inpatient pharmacy in comparison to CRMC's readily available.

**C 6 (Need).** Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:**

**CENTRAL STERILE SUPPLY**

CSS is affected by the volume of case carts built and instrument sets processed annually. Below is a comparison of the volume the last three years and the projected volume for FY 15 and FY 16, the two fiscal years following the completion of the project.

Case Carts Built

FY 2010	8,260
FY 2011	9,294
FY 2012	7,235
FY 2013 annualized based upon current usage for the year	8,683
FY 2016	10,051
FY 2017	10,554

For FY 09 and 10 the growth was about 7% a year but with several new surgeons joining the medical staff the growth in 2011 jumped almost 12%. FY 2012 saw a drop in case carts built which was caused by two factors, the construction of the six new operating rooms, which were completed in 2012 and caused some disruptions and the loss of a general surgeon. However, from FY 2012 and FY 2013 we are seeing a 20% increase in case carts, due to the final completion of the new operating rooms and the addition of a new general surgeon. Additionally, we have two new invasive cardiologists starting in July 2013, a new OB/GYN opening a practice in the community in September 2013 and a new urologist is being recruited by one of the groups in town. We do not expect to see the same increase but have conservatively estimated a 5% increase annually. Even if the increase continues at a higher rate the expansion with the new equipment will be able to process the higher demand. We believe the expansion will serve our needs for at least the next 15 years.

Instrument Sets processed

FY 2010	72,952
FY 2011	82,467
FY 2012	71,436
FY 2013 annualized based upon current usage for the year	85,616
FY 2016	100,239
FY 2017	105,251

The growth for the last three years in instrument sets processed is approximately 10% a year. Because we are seeing more complex cases the number of surgical sets per case has increased thus a higher rate of increase than case carts built. We did see a drop in FY 2012 for the same reasons as mentioned above but as you can see there has been a 20% from FY 2012 to FY 2013. Again being conservative we project a 5% increase per year in instrument sets processed. Even if it exceeds that rate the new equipment will be able to process a higher demand. We project that the expansion will serve our needs for at least the next 15 years.

#### PHARMACY

The following shows the number of units dispensed by the Pharmacy the last three years and the projections for the 2 years following completion of the project.

FY 2010	1,802,365
FY 2011	2,009,092
FY 2012	2,094,037
FY 2013 (annualized based upon current usage)	2,200,110

Thus there is an average of a 5% increase annually. If we project that same 5% for the two years following completion, the units dispensed will be as follows:

FY 2016	2,546,902
FY 2017	2,674,247

With the improved work flow and additional medicine carousel the expanded Pharmacy will be able to easily handle the increases for at least the next 10 to 15 years.

**C 1 (Economic Feasibility) :**

**Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- **All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
- **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**
- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

**Response:**

The Project Costs Chart is inserted following this page.

## PROJECT COSTS CHART

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A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	709,500
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	
3.	Acquisition of Site	
4.	Preparation of Site	25,000
5.	Construction Costs	7,889,419
6.	Contingency Fund	313,456
7.	Fixed Equipment (Not included in Construction Contract)	2,559,128
8.	Moveable Equipment (List all equipment over \$50,000)	
9.	Other (Specify) <span style="border: 1px solid black; padding: 0 20px;">permits</span>	25,199
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify) <span style="border: 1px solid black; padding: 0 20px;"></span>	
5.	Other (Specify) <span style="border: 1px solid black; padding: 0 20px;"></span>	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify) <span style="border: 1px solid black; padding: 0 20px;"></span>	
D. Estimated Project Cost (A+B+C)		11,521,701
E. CON Filing Fee		25,219
F. Total Estimated Project Cost (D+E)		11,546,920
<b>TOTAL</b>		11,546,920



## **C 2 (Economic Feasibility)**

### **1. Identify the funding sources for this project.**

**Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)**

☐ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

☐ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**

☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**

☒ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**

☐ **F. Other—Identify and document funding from all other sources.**

Response:

This project will be financed through cash reserves. Attachment C 2, Economic Feasibility 1. E Tab 20 is a letter from Hospital's CEO confirming the presence of sufficient cash reserves. Further, since this project will expand 4 separate budget years, the expense will be spread over those four budget years.

**C 3 Economic Feasibility**

**Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

**Response:**

See Attachment C 3, Economic Feasibility, Tab 21 a letter from the general contractor who has completed numerous construction projects in Tennessee attesting to the reasonableness of the project cost. Attachment C 3 Economic Feasibility Tab 22 is a letter from the architect verifying the reasonableness of the cost and the applicable building codes that are applicable to the project.

**C 4 Economic Feasibility**

**Complete Historical and Projected Data Charts on the following two pages--*Do not modify the Charts provided or submit Chart substitutions!* Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

**Response:**

The following pages are the Historical Data and the Projected Data for the Hospital as a whole. CSS is not a revenue generated department but is a support department. While Pharmacy generates revenue through drug charges, this project will have no effect upon increasing pharmacy revenue. Pharmacy revenue is affected by overall hospital volume.

CHART B  
HISTORICAL DATA

Give information for the last three (3) years for which complete data are available for the facility or agency.  
The fiscal year begins in July (Month).

**Cookeville Regional Medical Center**

	FYE 2010	FYE 2011	FYE 2012
A Utilization/Occupancy Rate	55,975	58,650	60,058
<i>(Inpatient based on staffed beds, excludes observations)</i>			
B Revenue from Services to Patients			
1. Inpatient Services	231,908,982	258,389,072	260,114,571
2. Outpatient Services	178,281,007	199,937,609	221,040,044
3. Emergency Services	17,161,436	17,970,569	19,285,154
4. Other Operating Revenue			
<i>Cafeteria, Vending, Other Misc.</i>	3,406,028	3,503,760	4,698,895
Gross Operating Revenue	430,757,453	479,801,010	505,138,664
C Deductions from Operating Revenue			
1. Contractual Adjustments	208,412,003	236,661,244	256,488,409
2. Provision for Charity Care	6,455,555	5,800,098	6,275,263
3. Provisions Bad Debt	13,644,985	17,214,602	18,829,075
Total Deductions from Revenue	228,512,543	259,675,944	281,592,747
Net Operating Revenue	202,244,910	220,125,066	223,545,917
D. Operating Expenses			
1. Salaries and Wages	63,236,700	72,622,319	73,503,360
2. Physicians Salaries and Fees	15,901,943	19,824,256	18,875,601
3. Supplies	43,062,653	48,836,209	50,878,176
4. Taxes (Payments in Lieu of Taxes)	700,000	700,000	700,000
5. Depreciation	11,831,323	11,722,847	11,869,779
6. Rent	745,301	798,500	1,032,257
7. Interest, other than Capital	0	0	0
8. Other (specify)			
<i>Benefits, Utilities, Purchased Svcs, Repairs, Other</i>	51,095,386	55,300,304	58,893,756
Total Operating Expenses	186,573,306	209,804,435	215,752,929
E. Other Revenue-Income from Investments	285,023	388,373	388,602
Net Operating Income (Loss)	15,956,627	10,709,004	8,181,590
F. Capital Expenditures			
1. Retirement of Principal	228,654	2,680,396	808,702
2. Interest	4,168,899	2,895,569	2,828,861
Total Capital Expenditures	4,397,553	5,575,965	3,637,563
Net Operating Income (Loss)			
Less Capital Expenditures	11,559,074	5,133,039	4,544,027

**Cookeville Regional Medical Center**  
**Other Expenses Detail**

	<u>FYE 2010</u>	<u>FYE 2011</u>	<u>FYE 20112</u>
Employee Benefits	17,251,885	20,001,512	20,850,486
Contract Labor	5,462,695	5,147,411	5,539,751
Purchased Services - Other	8,333,247	7,845,533	7,656,721
Utilities	3,119,880	3,496,998	3,501,318
Repairs and Maintenance	6,090,572	6,377,002	6,858,717
Insurance	1,104,145	1,081,407	1,079,126
Other	4,033,348	4,063,697	5,068,800
Other Corps	4,663,005	7,194,159	8,378,636
Loss on Disposals of Assets	1,036,609	92,585	(39,799)
	51,095,386	55,300,304	58,893,756

CHART C  
PROJECTED DATA

Give information for two (2) years following the completion of this project.  
The fiscal year begins in July (Month).

**Cookeville Regional Medical Center  
Projected Data for CON**

	2016	2017
<b>A Utilization/Occupancy Rate</b> <i>(Inpatient based on staffed beds, excludes observations)</i>	63,361	64,945
<b>B Revenue from Services to Patients</b>		
1. Inpatient Services	275,420,872	282,306,394
2. Outpatient Services	232,447,246	238,258,428
3. Emergency Services	20,345,837	20,854,483
4. Other Operating Revenue <i>Cafeteria, Vending, Other Misc.</i>	4,957,334	5,081,268
Gross Operating Revenue	533,171,291	546,500,573
<b>C Deductions from Operating Revenue</b>		
1. Contractual Adjustments	270,670,271	277,437,028
2. Provision for Charity Care	6,645,402	6,811,538
3. Provisions Bad Debt	20,064,674	20,566,291
Total Deductions from Revenue	297,380,348	304,814,857
<b>Net Operating Revenue</b>	235,790,942	241,685,716
<b>D. Operating Expenses</b>		
1. Salaries and Wages	77,671,045	79,612,821
2. Physicians Salaries and Fees	19,713,759	20,206,603
3. Supplies	53,801,476	55,146,513
4. Taxes (Payments in Lieu of Tax)	700,000	700,000
5. Depreciation	12,522,617	12,835,682
6. Rent	1,039,031	1,065,007
7. Interest, other than Capital	0	0
8. Other (specify) <i>Benefits, Utilities, Purchased Svcs, Repairs, Other</i>	62,132,913	63,686,235
Total Operating Expenses	227,580,840	233,252,861
<b>E. Other Revenue-Income from Investments</b>	409,975	420,224
<b>Net Operating Income (Loss)</b>	8,620,077	8,853,079
<b>F. Capital Expenditures</b>		
1. Retirement of Principal	1,853,181	1,899,510
2. Interest	2,634,448	2,550,310
Total Capital Expenditures	4,487,629	4,449,820
<b>Net Operating Income (Loss) Less Capital Expenditures</b>	4,132,448	4,403,260

**Cookeville Regional Medical Center****Other Expenses Detail**

	<u>FYE 2016</u>	<u>FYE 2017</u>
Employee Benefits	21,997,263	22,547,194
Contract Labor	5,844,437	5,990,548
Purchased Services - Other	8,077,841	8,279,787
Utilities	3,693,890	3,786,238
Repairs and Maintenance	7,235,946	7,416,845
Insurance	1,138,478	1,166,940
Other	5,347,584	5,481,274
Other Corps	8,839,461	9,060,448
Loss on Disposals of Assets	(41,988)	(43,038)
	62,132,913	63,686,235

**C 5 Economic Feasibility**

**Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

**Response:**

Below is the average gross charge, average deduction from operating revenue and average net charge for the hospital as a whole.

	FY 2012		FY 2013
Average Gross Charge	\$19,894.24		20,080.18
Average Deduction from operating revenue	\$10,445.78		\$10,767.22
Average Net Charge	\$9,448.47		\$9,312.96



## **C 6 Economic Feasibility**

**A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

**B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

### **Response:**

A. The expansion and renovation of central sterile will not change our charges in the operating room, labor and delivery or special procedures nor do we anticipate that it will increase revenue. This is not a revenue generating department. Additionally the relocation of inpatient pharmacy will not change our pharmacy charge structure nor will it result in any increase pharmacy revenue. However, failure to expand and renovate CSS could in the future restrict the number of surgical cases that we could do in any one day.

B. There are no changes to our charges as a result of this project.

**C 7 Economic Feasibility    Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

**Response:**

The project will not impact existing patient charges. However, with the newer technology and expanded space for central sterile supply, that department will be more efficient. The increased efficiency will allow for supply case carts and surgical instruments to be supplied in a quicker fashion. Also, without the expansion and the new equipment we face the reality of long delays in supply the case carts and the surgical instruments. CRMC runs the risk of equipment breakdown that will adversely impact the operation of the surgical services.

**C 8 Economic Feasibility**

**Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

**Response:**

This is not a start-up project. It is a financially strong hospital with both the cash flow and cash reserves to maintain financial viability without interruption. The additional expense incurred for this project will not adversely impact the financial viability of CRMC. Further since it will be paid for over four different budget years there will be sufficient cash reserves to pay for the project.

**C 9 Economic Feasibility**

**Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

**Response:** This project is not a revenue generating project. No increased revenues are expected as a result of the project, although it could be viewed as a revenue protecting project. Failure to upgrade our central sterile supply functions will adversely affect our ability to provide sterile equipment to our operating rooms in a timely and efficient manner, thereby delaying surgical cases and perhaps driving surgical staff from the use of our facilities. CRMC has a 54% Medicare payor mix for the hospital. It has a 12% TennCare payor mix for the hospital. The historical numbers reflect that these percentages will not change except as affected by TennCare enrollment changes and or health care exchanges.

Following is our projected utilization of operating services by payor class for the first two years of operation following completion of the project.

	2015	2016
<b>Medicare</b>	<b>56.6%</b>	<b>57%</b>
<b>TennCare</b>	<b>11.3%</b>	<b>12%</b>
<b>Blue Cross</b>	<b>17.2%</b>	<b>15%</b>
<b>Commercial Ins</b>	<b>6.7%</b>	<b>8%</b>
<b>Private Pay</b>	<b>6.3%</b>	<b>6%</b>
<b>Champus</b>	<b>1.4%</b>	<b>1%</b>
<b>Workers Comp</b>	<b>.5%</b>	<b>1%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>

**C 10 (Economic Feasibility)** Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**Response:** Attachment C, 10 Economic Feasibility, Tab 23 is our year ending June 30, 2012 audited financial statement. Attachment C 10 Economic Feasibility Tab 24 is our most recent balance sheet and income statement.

**C 11 Economic Feasibility** Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**Response:**

a. There is not a less costly or more effective alternative. We explored the possibility of moving central sterile off site and delivering the case carts throughout the day. This was not feasible both from a cost standpoint and a delivery standpoint. There is nowhere else within the institution to relocate central sterile supply. Thus expanding it in place was the only viable solution. With that it was necessary to relocate inpatient pharmacy. The relocation of inpatient pharmacy to the shelled in space on the first floor of the hospital will not have any impact of the efficiency or timeliness of inpatient pharmacy services. Much of the delivery of inpatient medications is through our tube system, so relocating the inpatient pharmacy will not change the ability to deliver medications via the tube system, since that system will also be used in the new location of the inpatient pharmacy.

b. The only alternative to replacing equipment that had reached its useful life and upgrading central sterile supply was to not do anything and hope that the equipment would last a little longer. We already expanded the hours of central sterile to keep up with the demand, because the equipment we have is too slow to turn around case carts as fast as we need them. We could not add any more additional shifts nor could we replace the old equipment we have with newer equipment in the same space. Thus the need to expand the footprint of central sterile to allow for new equipment.

**C 1 Contribution to the Orderly Development of Health Care**

List all

existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**Response:** The following is the list of managed care agreements CRMC has in operation. In addition we have the following transfer agreements: Infinity Birthing Center Transfer Agreement, Jamestown Regional Medical Center Transfer Agreement and the Upper Cumberland Inter-Hospital Transfer Agreement (this includes DeKalb Hospital, Riverview Regional Medical Center North and South, , Cumberland Medical Center, Cumberland River Hospital, Livingston Regional Medical Center, and White County Community Hospital). Finally we have a health care service agreement with Satellite Med.

<b><u>COMMERCIAL PLANS</u></b>
<b>Beech Street - A Viant Network</b>
<b>BlueCross BlueShield of TN – Networks P, S &amp; CoverTN</b>
<b>Carthage/Trousdale Hospital Employee Health Plan</b>
<b>Center Care</b>
<b>CIGNA - PPO/PPN Plan, Flex/Gatekeeper Plan (includes Great-West Healthcare)</b>
<b>CompPlus/Prime Health Services</b>
<b>First Health – A Coventry Health Care Company</b> (includes Affordable, CCN, & Medview)
<b>Government Employees Hospital Association (GEHA)/PPO USA</b>
<b>Health Payors</b>
<b>HealthScope Benefits (formerly CNA Health Partners, CoreSource)</b>
<b>HealthTrac</b>
<b>Humana Choice Care (formerly Employers Health Insurance Company)</b>
<b>MultiPlan</b> (includes America's Health Plan, BCE Emergis, United Payors & United Providers effective Sept 1, 2004) <i>Merged with PHCS.</i>
<b>NovaNet – Letter of Agreement</b>
<b>One Call Medical</b> Work Comp only – applies to Imaging Services
<b>Perdue Farms</b>
<b>Private Healthcare Systems</b> <i>Merged with MultiPlan.</i>
<b>Signature Health Alliance</b>
<b>The Initial Group</b>
<b>USA Managed Care</b>
<b>United Healthcare of TN – includes John Deere Health Care River Valley Entities</b>

<b><u>GOVERNMENT PROGRAMS</u></b>
<b>Medicare</b>
<b>TennCare</b> <b>MCOs -</b>
<b>Amerigroup</b>

<b>AmeriChoice</b>
<b>TennCare Select/BlueCare</b>
<b>BHOs-</b>
<b>TN Behavioral Health/Premier Behavioral (E/R only)</b>
<b>TN Children's Special Svcs</b>
<b>Tennessee Dept of Health - TN Breast &amp; Cervical Cancer Early Detection Program</b>
<b>TriCare</b> administered by Humana Military Healthcare Services
<b>United Mine Workers</b>

<u><b>HOSPICE CONTRACTS</b></u>
<u><b>(Inpatient only)</b></u>
<b>Caris Healthcare</b>
Pain Management – Levels I & II
<b>Lazarus House</b>
Pain Management – Levels I & II
Respite Care



## **C 2 Contribution to the Orderly Development of Health Care**

**Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

**Response:** CRMC is the anchor of the local health system in its service area. Its continued financial strength is very important not only to maintaining high quality acute care, but also to attracting and retaining physicians in this rural area. It is the area's only large hospital with a broad range of tertiary services.

This project does not duplicate or add competition to already existing business provided by other hospitals in our service area. The project merely updates and increased the footprint of central sterile supply, a service function within the facility.

**C 3 Contribution to the Orderly Development of Health Care**

**Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

**Response:**

Central Sterile Supply does not provide direct patient care. There are currently 43 positions within CSS and that number will not increase nor decrease as a result of this project.

Except for the Clinical Pharmacists, there are no employees in Pharmacy providing direct patient care. This project does not involve the Clinical Pharmacists other than the relocation of their offices. There are currently 48 FTE's in Pharmacy and that number will not increase or decrease as a result of this project.

**C 4 Contribution to the Orderly Development of Health Care:** Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**Response:** All of the staff is already in place, we will not need to hire new staff as a result of this renovation and expansion. CRMC is an established hospital with employees of this type already in place. With our salary structure and our benefit package we are a desirable place of employment. The Hospital is familiar with licensing requirements that might apply to the facility or staff.

## **C\_5 Contribution to the Orderly Development of Health Care**

**Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.***

**Response:** The applicant has been in business for decades and is familiar with all licensing certifications required. We are Joint Commission accredited, most recently accredited as of September 2011. See Attachment C 5 Contribution to the Orderly Development of Health Care Tab 25.

The applicant so verifies that we have reviewed and understand all licensing certification required.

## **C 6     Contribution to the Orderly Development of Health Care**

**Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

**Response:** CRMC conducts numerous educational programs both for its staff and members of the community. Such programs include classes in pre-natal care, cardio-pulmonary resuscitation, wellness education, in-service education and other areas of service. The Hospital serves as a clinical site for nursing students from Tennessee Technological University's BSN program and the Livingston State Area Vocational School's licensed practical nurse program. The Hospital also serves as a training site for students from with Volunteer State Community College. We have their students doing clinicals in radiology (x-ray), and Ultrasound. CRMC is also affiliated with Roane State Community College and with Chattanooga State Technical Community College. We have their Nuclear Imaging students and MRI students do their clinicals with us.

## **C 7 Contribution to the Orderly Development of Health Care**

**(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

**(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:**

**Accreditation:**

**(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

**(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

### **Response:**

7 (a) the applicant so verifies. We have been in operation for decades and are familiar with state and federal licensure requirements

7 (b)

LICENSURE	Board of Licensure of Healthcare Facilities Tennessee Department of Health
-----------	---

CERTIFICATION	Medicare Certification from CMS TennCare Certification from TDH
---------------	--

ACCREDITATION	Joint Commission
---------------	------------------

7(c) The applicant is licensed in good standing by the State Board of Licensing Health Care Facilities, certified for participation in both Medicare and TennCare and fully accredited by Joint Commission. See current state licensure Attachment C 7, Contribution to the Orderly Development of Health Care (c) Tab 26.

7 (d) CRMC was fully accredited by Joint Commission in September 2011. Attachment C 5, Tab 25. Attachment C 7 (d) Tab 27 is the Hospital's most recent survey by the Division of Health Care Facilities and Attachment C 7 (d), Tab 28 is the Hospital's most recent Joint Commission survey results.

**C 8 Contribution to the Orderly Development of Health Care**

**Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

**Response:** None

**C 9 Contribution to the Orderly Development of Health Care**

**Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

**Response:**               None



**C 10 Contribution to the Orderly Development of Health Care**

**If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

**Response:** Yes, the applicant will provide the requested data consistent with federal HIPAA requirements.

## **PROOF OF PUBLICATION**

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

SEE ATTACHMENT 29

## **DEVELOPMENT SCHEDULE**

**Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.**

**1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

**2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.**

Form HF0004

Revised 02/01/06

Previous Forms are obsolete

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 08/28/2013

Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	0	03/2013
2. <u>Construction documents approved by the Tennessee Department of Health</u>	30	09/2013
3. <u>Construction contract signed</u>	30	09/2013
4. <u>Building permit secured</u>	45	10/2013
5. <u>Site preparation completed</u>	NA	NA
6. <u>Building construction commenced</u>	45	10/2013
7. <u>Construction 40% complete</u>	240	04/2014
8. <u>Construction 80% complete</u>	545	02/2015
9. <u>Construction 100% complete (approved for occupancy)</u>	815	11/2015
10. <u>*Issuance of license</u>	NA	NA
11. <u>*Initiation of service</u>	NA	NA
12. <u>Final Architectural Certification of Payment</u>	875	01/2016
13. <u>Final Project Report Form (HF0055)</u>	875	01/2016

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**AFFIDAVIT**

2013 MAY 9 PM 2 53

STATE OF Tennessee

COUNTY OF Putnam

Paul Korth

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Paul Korth

SIGNATURE/TITLE

Sworn to and subscribed before me this 6<sup>th</sup> day of May 2013 a Notary  
(Month) (Year)

Public in and for the County/State of Putnam

Mindy Youngblood  
NOTARY PUBLIC

My commission expires June, 22 2015  
(Month/Day) (Year)



## ATTACHMENTS

TAB 1	A.4 .....	OWNERSHIP
TAB 2	A.6 .....	LEGAL INTEREST IN SITE
TAB 3	B.I .....	OWNERSHIP STRUCTURE
TAB 4	B.I .....	POPULATION STATISTICS
TAB 5	B.I .....	MAP OF SERVICE AREA
TAB 6	B.II.A.....	PLOT PLAN OF CURRENT PHARMACY
TAB 7	B.II.A.....	PLOT PLAN OF PHARMACY RENOVATION
TAB 8	B.II.A.....	PLOT PLAN OF CURRENT PHARMACY AND CENTRAL STERILE
TAB 9	B.II.A.....	PLOT PLAN OF CURRENT CENTRAL STERILE
TAB 10	B.II.A.....	PLOT PLAN OF CENTRAL STERILE RENOVATION
TAB 11	B.III.A.....	PLOT PLAN OF HOSPITAL CAMPUS
TAB 12	B.III.A.....	SECOND FLOOR DIAGRAM
TAB 13	B.III.A.....	FIRST FLOOR DIAGRAM
TAB 14	B.III.A.....	HOSPITAL AND SURROUNDING STREETS
TAB 15	B.IV .....	SECOND FLOOR WITH CENTRAL STERILE
TAB 16	B.IV .....	FIRST FLOOR WITH PHARMACY
TAB 17	C.3 NEED .....	COUNTY MAP OF PRIMARY SERVICE AREA
TAB 18	C.4. NEED .....	POPULATION STATISTICS FOR SERVICE AREA PER CAPITA INCOME COMPARISON
TAB 19	C.4 NEED .....	MEDIAN HOUSEHOLD INCOME
TAB 20	C.2 ECONOMIC FEASIBILITY .....	CERTIFICATION FROM CEO
TAB 21	C.3 ECONOMIC FEASIBILITY .....	LETTER FROM ARCHITECT
TAB 22	C.3 ECONOMIC FEASIBILITY .....	LETTER FROM BUILDER

		2012 AUDITED
TAB 23	C.10 ECONOMIC FEASIBILITY .....	FINANCIAL STATEMENTS
TAB 24	C.10 ECONOMIC FEASIBILITY .....	BALANCE SHEET
TAB 25	C.5 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE .....	THE JOINT COMMISSION ACCREDITATION CERTIFICATE
TAB 26	C.7 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE .....	COPY OF HOSPITAL LICENSE
TAB 27	C.7(d) CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE .....	RECENT SURVEY BY THE DIVISION OF HEALTH CARE FACILITIES
TAB 28	C.7 CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE .....	THE JOINT COMMISSION ACCREDITATION SURVEY
TAB 29	PROOF OF PUBLICATION	

**TAB 1**



## State of Tennessee

PRIVATE CHAPTER NO. 115

HOUSE BILL NO. 3321

By Representative Hargrove

Substituted for: Senate Bill No. 3304

By Senator Burks

AN ACT to amend Chapter 49 of the Private Acts of 1999; and any other acts amendatory thereto, relative to the Cookeville Regional Medical Center Authority.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Section 2 of Chapter 49 of the Private Acts of 1999, and any other acts amendatory thereto, is amended by adding the following language at the end of such section:  
→ In exercising its rights, powers and obligations pursuant to Chapter 77B of the Public Acts of 1996 and Chapter 49 of the Private Acts of 1999, Cookeville Regional Medical Center Authority:

(1) Shall not borrow money in its own name without prior approval of a majority vote of the Cookeville City Council; and

(2) Shall not purchase real property without the prior approval by a majority vote of the Cookeville City Council.

All real property purchased by the Authority shall be titled to the City of Cookeville.

SECTION 2. Section 3 of Chapter 49 of the Private Acts of 1999, is amended by adding the following new sentence at the beginning of the section:  
→ The Board of Trustees of the Cookeville Regional Medical Center Authority shall be composed of nine (9) persons as set forth herein.

SECTION 3. Section 9 of Chapter 49 of the Private Acts of 1999, is amended by adding the following language at the end of such section:  
For purposes of this Act, the campus of Cookeville Regional Medical Center shall include all real property owned by the City of Cookeville and on which are located hospital, clinical or health care facilities.

SECTION 4. Section 15 of Chapter 49 of the Private Acts of 1999, is amended by adding the following language at the end of subsection (c):  
The property and assets that may be transferred by the City of Cookeville to the Cookeville Regional Medical Center Authority pursuant to this Act are limited to working capital, including cash, accounts receivable and future revenues. The City of Cookeville is authorized to take necessary action to enable the Cookeville Regional Medical Center Authority to:

(1) Continue without diminution, retirement benefits through the Tennessee Consolidated Retirement System for those persons employed at the Cookeville Regional Medical Center as of the date the Cookeville Regional Medical Center Authority becomes operational who are participants in the Tennessee Consolidated Retirement System; and

(2) Continue participation in the Tennessee Consolidated Retirement System or to adopt alternative retirement plans for persons employed at Cookeville Regional Medical Center after the Cookeville Regional Medical Center becomes operational.

Any alternative retirement plan adopted by the Cookeville Regional Medical Center Authority shall contain provisions permitting employees who are participants in the Tennessee Consolidated Retirement System to elect to participate in such alternative retirement plan instead of the Tennessee Consolidated Retirement System.



SENT BY: \_\_\_\_\_

HB 3321

SECTION 5. Section 15 of Chapter 49 of the Private Acts of 1999 is further amended by adding the following language as a new subsection (d):

(d) In the event of the sale, lease or other transfer of the assets, building and real property constituting Cookeville Regional Medical Center, such sale, lease or transfer shall also include all of the assets and rights owned by Cookeville Regional Medical Center Authority; provided, such sale, lease or other transfer transaction shall require the purchaser, lessor or other transferee to assume all debt for which the Cookeville Regional Medical Center Authority is obligated. Upon occurrence of a sale, lease or other transfer as described herein, Cookeville Regional Medical Center Authority shall cease to exist as of the date of such sale, lease or other transfer and it shall have no further rights, powers or obligations.

SECTION 6. This act shall have no effect unless it is approved by a two-thirds (2/3) vote of the Legislative Body of the City of Cookeville. Its approval or nonapproval shall be proclaimed by the presiding officer of the Legislative Body and certified to the Secretary of State.

SECTION 7. For the purpose of approving or rejecting the provisions of this act, it shall be effective upon becoming a law, the public welfare requiring it. For all other purposes, it shall become effective as provided in Section 8.

08/13/2001 17:42  
SENT BY:

9315268814

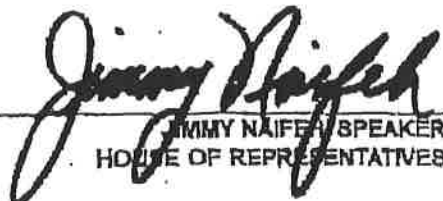
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COULKEVILLE REGIONAL  
OMARA & JOHNSON

PAGE 00  
9315268814:# 5/12

HOUSE BILL NO. 3321

PASSED: MAY 15, 2000

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

APPROVED this 23<sup>rd</sup> day of May 2000

  
DON SUNDQUIST, GOVERNOR

08/13/2001

17:42

SENT BY:

9315268814

5-13-11 11:25

COOKEVILLE REGIONAL  
UNAKA & JUNDUNY

001020001918 0112

PAGE 06

effective  
date  
Dec 2, A

State of Tennessee



Department of State

To all to whom these Presents shall come, Greeting:

I, Riley C. Darnell, Secretary of State  
of the State of Tennessee, do hereby certify that the annexed is a true  
copy of

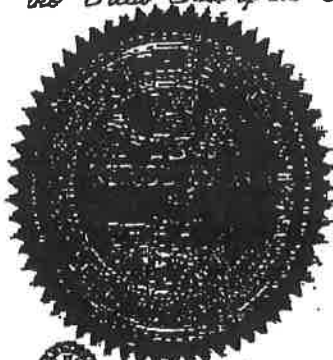
PRIVATE CHAPTER NO. 49

HOUSE BILL NO. 1984

PRIVATE ACTS OF 1999

the original of which is now on file and a matter of record in this office.

In Testimony Whereof, I have herewith  
subscribed my Official Signature and by order of the Governor affixed  
the Great Seal of the State of Tennessee at the Department in the  
City of Nashville, this 23rd day  
of June, A.D. 1999



SS-7010 (Rev. 9/90)

Riley C. Darnell  
Secretary of State

## SUMMARY OF THE ORGANIZATION OF COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

Cookeville Regional Medical Center Authority is a Private Act Hospital Authority created under the provisions of T.C.A. § 7-57-601. The Authority was created by Chapter 49 of the Tennessee Private Acts of 1999, which Act served to both create the Cookeville Regional Medical Center Authority and to amend the City of Cookeville charter regarding the operation of Cookeville Regional Medical Center, which had operated as a department of the City of Cookeville until passage of this Private Act. The Private Act became effective on December 2, 1999.

Cookeville Regional Medical Center Authority is a quasi-municipal corporation independent of the City of Cookeville.

Subsequent to its passage the creating legislation was amended by Chapter 115 of the Tennessee Private Acts of 2000 for the purpose of clarifying the power of the Authority to act on its own behalf. Private Chapter 115 established that the Authority may not borrow money in its own name without a majority vote of the Cookeville City Council. The Authority also may not purchase real property without the approval of a majority vote of the Cookeville City Council and all such real property shall be titled in the name of the City of Cookeville.

The real estate upon which Cookeville Regional Medical Center is located remains the property of the City of Cookeville along with all of the buildings, equipment, furniture and fixtures. The Authority operates and controls the facilities including the hospital, clinical and health care facilities associated with Cookeville Regional Medical Center. The Authority controls the working capital, cash, accounts receivable and

revenues of Cookeville Regional Medical Center. By contract entered into on December 10, 1999 the City of Cookeville and the Authority recognized that the rights of the Authority to the working capital, cash, accounts receivable and future revenues did not extend to any assets or revenues necessary to retire any indebtedness existing on the date of the agreement with respect to which the revenues of Cookeville Regional Medical Center had been pledged. The Authority is required by contract to make payment on the indebtedness which existed at the time of its creation. Subsequently the Authority issued bonds which allowed the City bonds to be retired.

Annually the Authority must present its budget to the City of Cookeville through the City Manager, and the budget must be approved by the Cookeville City Council before it becomes effective.

The Authority is governed by a nine person board of directors. Seven of the directors are appointed by the Cookeville City Council and serve seven year terms. One director is appointed each year by the Council. The Mayor of the City of Cookeville and the Chief of the Medical Staff of the Authority serve as directors by virtue of their office.

The Authority will continue to operate the health care facilities of the City of Cookeville on an indefinite basis. However, should the City of Cookeville sell, lease or otherwise transfer its ownership of the hospital facilities, the rights of the Authority to control the working capital and operate will terminate on the date of the transfer.



## State of Tennessee

PRIVATE CHAPTER NO. 49

HOUSE BILL NO. 1984

By Representative Hargrove

Substituted for: Senate Bill No. 1987

By Senator Burks

AN ACT to establish the Cookeville Regional Medical Center Authority and to amend Chapter 223 of the Private Acts of 1961; as subsequently amended by various private acts, including Chapter 61 of the Private Acts of 1995; Chapter 209 of the Private Acts of 1996 and Chapter 14 of the Private Acts of 1997; and any other acts amendatory thereto, relative to the Cookeville Regional Medical Center.

WHEREAS, Cookeville Regional Medical Center was established as part of the Charter of the City of Cookeville pursuant to Chapter 223 of the Private Acts of 1961, as subsequently amended by various private acts, including Chapter 61 of the Private Acts of 1995, Chapter 209 of the Private Acts of 1996, and Chapter 14 of the Private Acts of 1997; and

WHEREAS, Chapter 223 of the Private Acts of 1961, as subsequently amended, established a Board of Trustees for Cookeville Regional Medical Center, the powers and duties for such Board of Trustees, terms of offices and elections of successors for such Board of Trustees, and other powers relative to the operation of Cookeville Regional Hospital and related facilities; and

WHEREAS, significant changes in the delivery of health care have occurred since the establishment of Cookeville Regional Medical Center and its Board of Trustees; and

WHEREAS, the organization of the Board of Trustees of Cookeville Regional Medical Center as part of the Cookeville City Charter creates constraints on the authority and operations of such Board of Trustees so as to preclude it from responding to the changes in the delivery of health care; and

WHEREAS, the General Assembly finds that the operations of Cookeville Regional Medical Center and related facilities will be enhanced if its Board of Trustees is reconstituted as a private act hospital authority as that term is used in 1996 Tenn. Pub. Acts, Ch. 778, the Private Act Hospital Authority Act of 1996; and

WHEREAS, the purpose of this act is to reconstitute the Board of Trustees of Cookeville Regional Medical Center as the Board of Trustees of the Cookeville Regional Medical Center Authority, such to have the powers granted to private act hospital authorities under the Private Act Hospital Authority Act of 1996; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. There is hereby created the Cookeville Regional Medical Center Authority established for the purpose of operating Cookeville Regional Hospital and all other hospital, clinical and health care facilities related thereto.

SECTION 2. Cookeville Regional Medical Center Authority is a private act hospital authority as that term is used in 1996 Tenn. Pub. Acts, Ch. 778, the Private Act Hospital Authority Act of 1996. All hospital, clinical and health care facilities operated and controlled by the Board of Trustees of Cookeville Regional Medical Center, as set forth in the City Charter of Cookeville as of the effective date of this act, shall hereinafter be operated and controlled by the Board of Trustees of Cookeville Regional Medical Center Authority. The Cookeville Regional Medical Center Authority shall have the right to use the name of Cookeville Regional Medical Center, Cookeville Regional Hospital and any other names adopted by its Board of Trustees.

SECTION 3. Upon approval of the local governing body, as set forth in section 17 below, the initial Board of Trustees of Cookeville Regional Medical Center Authority shall be the same persons who are the Board of Trustees of Cookeville Regional Medical Center upon such date. The terms of the additional Board of Trustees of Cookeville Regional Medical Center Authority shall continue until the respective dates of expiration that would have been applicable under the Charter of the City of Cookeville in the absence of this Act. Thereafter, the election and terms of offices shall be as set forth herein.

SECTION 4. Subject to sections 5 and 11, and other provisions relative to removal from office, the term of office for members of the Board of Trustees shall be for seven (7) years, and no member shall serve more than one (1) full term without a three (3) year break. One (1) trustee of said board shall be a physician who is a member of the hospital medical staff who will serve a seven (7) year term, one (1) trustee shall be the person holding the office of Mayor of the City of Cookeville, Tennessee, who shall serve during his/her term of office, and one (1) trustee shall be the person holding the position of Chief of Staff of Cookeville Regional Medical Center, who shall serve during his/her term of office. All members of the Board of Trustees shall have the right to vote. The term of office of all trustees, except the Mayor of the City of Cookeville and the hospital chief of staff, shall expire on July 31 of the year in which his/her term of office ends, and each new trustee shall take office on August 1 after his/her election.

SECTION 5. Annually the Cookeville City Council shall elect for a seven (7) year term, in the manner hereinafter provided, a successor to that member of the Board of Trustees whose term shall have expired. No action on the part of the Cookeville City Council need be taken to replace or name a successor to the board upon a change in the office of mayor or chief of staff, for the new mayor and chief of staff shall automatically become an ex officio member of said Board of Trustees. Members of said board, except members of the medical staff of Cookeville Regional Medical Center, shall be residents of the City of Cookeville. A trustee whose term has expired shall continue to serve until his or her successor shall have been elected in the manner herein provided. In the event of death or resignation of a trustee prior to the expiration of his or her term, his or her successor shall be elected for the unexpired term in the same manner as the deceased or retiring trustee was elected, and shall take office upon election. Such successor trustee shall be eligible for re-election for a full term. Any member of the Board of Trustees can be removed from the board by a unanimous vote of the other members of the Board of Trustees.

SECTION 6. The Cookeville City Council shall elect the successor trustee or trustees from among three (3) nominees for each trustee to be elected and whose names shall be submitted to the council by the remaining trustees not less than thirty (30) days prior to the expiration of the term of any trustee whose successor is to be elected, provided, however, that the city council by a majority vote of its members may elect a successor trustee or trustees not nominated by the board.

SECTION 7. The Board of Trustees shall hold regular meetings on a date or dates which it shall establish. Called meetings may be held at any time upon two (2) days written notice, on call of the chairman or of any three (3) members of the said board, provided that members may waive notice of call of any meetings. The proceedings of all meetings shall be recorded in an official minute book which shall be a public record. Five (5) of the members of the said Board of Trustees shall constitute a quorum for the transaction of business, and any action taken at a meeting of the board shall be by a majority vote, a quorum being present. As soon as practicable, the Board of Trustees shall promulgate and record on permanent record the rules under which it will operate.

SECTION 8. The Board of Trustees shall meet as soon as possible after the effective date of this act and after the election required under section 5 for the purpose of (1) electing one of its members as chairman, (2) electing one of its members as secretary, (3) selecting a person to serve as administrator, who shall also serve as the treasurer of the board, and who shall execute bond for the faithful performance of his said duties as treasurer and administrator, in an amount to be fixed and determined by said board, said bond to be approved by said board.

SECTION 9. The Board of Trustees shall have the responsibility and authority to control and operate the hospital, clinical and health care facilities described herein; to receive all revenues derived from such facilities, and any donations or grants; and to disburse all such monies to discharge the financial obligations related to the facilities described in this act and otherwise as determined by the Board of Trustees; to exercise the powers granted to private act.

(1) The Board of Trustees of the Cookeville Regional Medical Center Authority by majority vote of its membership adopts a resolution that finds and declares:

(A) that an emergency exists in the operation of such facility because of its rapidly deteriorating financial condition and inability to meet current cash requirements, debts payable, or lacks adequate operating capital;

(B) that the continued operation of the hospital is not economically feasible;

(C) that the continued operation of such facility will adversely affect the financial stability of the city; and

(2) After a public hearing, the Cookeville City Council by unanimous vote of its membership approves the recommendations of the Board of Trustees of the Cookeville Regional Medical Center Authority; or

(3)

(A) The Board of Trustees of the Cookeville Regional Medical Center Authority by majority vote of its membership adopts a resolution that finds and declares that part of the buildings and real property of such facilities is no longer needed by the Board of Trustees for the operation of such hospital and clinical facilities; that such buildings and property are surplus; and that the board recommends to the Cookeville City Council that such property be sold, leased or transferred by the City of Cookeville; and

(B) After a public hearing, the Cookeville City Council by unanimous vote of its membership, approves the recommendations of the Board of Trustees of the Cookeville Regional Medical Center Authority of either the sale or lease of such portion of the property.

(b) A referendum required by this section shall be held at any General Election or City Election or may be held at a special election called for such purpose. The ballots used in such election shall have printed on them the substance of the proposed sale or lease or the proposed disposal of such hospital or real property and the voters shall vote for or against its approval.

(c) The provisions of this section do not apply to the disposal of personal property of such hospital and clinical facilities which is obsolete, surplus or unusable and such personal property shall be disposed of in accordance with a policy established by the board.

The provisions of this section do not apply to transfers from the city of Cookeville to the Cookeville Regional Medical Center Authority for the purposes of effectuating this act.

SECTION 16. Chapter 223 of the Private Acts of 1981, as subsequently amended by various private acts, is amended by deleting the current sections of Article IX of the Cookeville City Charter in their entirety and substituting instead the following:

Section 9.01. The Cookeville City Council shall take necessary action to elect and replace the members of the Board of Trustees of Cookeville Regional Medical Center Authority, as provided in the private act creating such authority.

SECTION 17. This act shall have no effect unless it is approved by a two-thirds (2/3) vote of the Cookeville City Council. Its approval or non-approval shall be proclaimed by the Presiding Officer of the Cookeville City Council and certified by him to the Secretary of State.

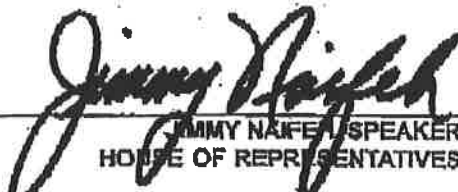


**HB 1984**

**SECTION 18.** For the purpose of approving and rejecting the provisions of this act, it shall be effective upon becoming law, the public welfare requiring it. For all other purposes, it shall become effective upon being approved, as provided in Section 17.

HOUSE BILL NO. 1984

PASSED: MAY 27, 1999

  
JIMMY NAFEK, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

APPROVED this 17<sup>th</sup> day of June 1999

  
DON SUNDQUIST, GOVERNOR

**TAB 2**

## LAW OFFICE

DAVID W. LEDBETTER

18 SOUTH WASHINGTON AVENUE  
P.O. BOX 715  
COOKEVILLE, TENNESSEE 38501  
815-526-6131

December 4, 1980

Mr. Walter Fitzpatrick, Jr., Administrator  
Cookeville General Hospital  
142 W. 5th Street  
Cookeville, TN 38501

Dear Mr. Fitzpatrick:

Re: Title to the Cookeville General  
Hospital property

I hereby certify that I have examined the public records of Putnam County, Tennessee, affecting the title to the property located in the First Civil District of Putnam County, Tennessee, known as the Cookeville General Hospital property, and bounded generally on the east by Cedar Street, on the south by east Fourth Street, on the west by Hickory Street and on the north by east Fifth Street. My investigation revealed that title to the above described property was acquired by the City of Cookeville for use by Cookeville General Hospital in thirteen (13) separate tracts. Instruments conveying each of the thirteen respective tracts are recorded in the Register's Office of Putnam County, Tennessee, in the Warranty Deed Books hereinafter set out, or by Orders of Taking recorded in the Circuit Court Clerk's Office in the Minute Books hereinafter set out:

Warranty Deed Book 54, page 291.  
Warranty Deed Book 101, page 283.  
Warranty Deed Book 152, page 477  
Warranty Deed Book 160, page 109  
Warranty Deed Book 172, page 169.  
Warranty Deed Book 227, page 229.  
Minute Book 36, page 250.  
Minute Book 36, page 258  
Minute Book 36, page 414 -  
Minute Book 36, page 414 -  
Minute Book 36, page 414  
Minute Book 36, page 422-  
Minute Book 36, page 422.

My examination of said public records concerning the afore-said property reveals the following objections:


1. Lease to Industrial Development Board of the City of Cookeville, Tennessee, recorded in Lease Book 15, page 455, dated October 1, 1980, recorded November 3, 1980.

2. Sublease from the Industrial Development Board of the City of Cookeville, Tennessee to the City of Cookeville, Tennessee, recorded

in Lease Book 15, page 469, dated October 1, 1980, recorded November 3, 1980.

It is my opinion that fee simple title to the property above referred to is vested in the City of Cookeville, Tennessee, subject only to the exceptions referred to in 1 and 2 above.

Very truly yours,

  
David W. Ledbetter

DWL/jmf

**TAB 3**



## State of Tennessee

PRIVATE CHAPTER NO. 115  
HOUSE BILL NO. 3321

By Representative Hargrove

Substituted for: Senate Bill No. 3304

By Senator Burks

AN ACT to amend Chapter 49 of the Private Acts of 1999; and any other acts amendatory thereto, relative to the Cookeville Regional Medical Center Authority.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Section 2 of Chapter 49 of the Private Acts of 1999, and any other acts amendatory thereto, is amended by adding the following language at the end of such section:  
-> In exercising its rights, powers and obligations pursuant to Chapter 778 of the Public Acts of 1995 and Chapter 49 of the Private Acts of 1999, Cookeville Regional Medical Center Authority.

(1) Shall not borrow money in its own name without prior approval of a majority vote of the Cookeville City Council; and

(2) Shall not purchase real property without the prior approval by a majority vote of the Cookeville City Council.

All real property purchased by the Authority shall be titled to the City of Cookeville.

SECTION 2. Section 3 of Chapter 49 of the Private Acts of 1999, is amended by adding the following new sentence at the beginning of the section:  
-> The Board of Trustees of the Cookeville Regional Medical Center Authority shall be composed of nine (9) persons as set forth herein.

SECTION 3. Section 9 of Chapter 49 of the Private Acts of 1999, is amended by adding the following language at the end of such section:  
For purposes of this Act, the campus of Cookeville Regional Medical Center shall include all real property owned by the City of Cookeville and on which are located hospital, clinical or health care facilities.

SECTION 4. Section 15 of Chapter 49 of the Private Acts of 1999, is amended by adding the following language at the end of subsection (c):  
The property and assets that may be transferred by the City of Cookeville to the Cookeville Regional Medical Center Authority pursuant to this Act are limited to working capital, including cash, accounts receivable and future revenues. The City of Cookeville is authorized to take necessary action to enable the Cookeville Regional Medical Center Authority to:

(1) Continue without diminution, retirement benefits through the Tennessee Consolidated Retirement System for those persons employed at the Cookeville Regional Medical Center as of the date the Cookeville Regional Medical Center Authority became operational who are participants in the Tennessee Consolidated Retirement System; and

(2) Continue participation in the Tennessee Consolidated Retirement System or to adopt alternative retirement plans for persons employed at Cookeville Regional Medical Center after the Cookeville Regional Medical Center becomes operational.

Any alternative retirement plan adopted by the Cookeville Regional Medical Center Authority shall contain provisions permitting employees who are participants in the Tennessee Consolidated Retirement System to elect to participate in such alternative retirement plan instead of the Tennessee Consolidated Retirement System.

HB 3321

SECTION 5. Section 15 of Chapter 49 of the Private Acts of 1989 is further amended by adding the following language as a new subsection (d):

(d) In the event of the sale, lease or other transfer of the assets, building and real property constituting Cookeville Regional Medical Center, such sale, lease or transfer shall also include all of the assets and rights owned by Cookeville Regional Medical Center Authority; provided, such sale, lease or other transfer transaction shall require the purchaser, lessor or other transferee to assume all debt for which the Cookeville Regional Medical Center Authority is obligated. Upon occurrence of a sale, lease or other transfer as described herein, Cookeville Regional Medical Center Authority shall cease to exist as of the date of such sale, lease or other transfer and it shall have no further rights, powers or obligations.

SECTION 6. This act shall have no effect unless it is approved by a two-thirds (2/3) vote of the Legislative Body of the City of Cookeville. Its approval or nonapproval shall be proclaimed by the presiding officer of the Legislative Body and certified to the Secretary of State.

SECTION 7. For the purpose of approving or rejecting the provisions of this act, it shall be effective upon becoming a law, the public welfare requiring it. For all other purposes, it shall become effective as provided in Section 6.



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SENT BY:

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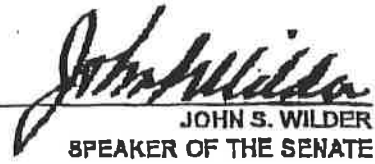
COUKEVILLE REGIONAL  
OMARA & JOHNSON

PAGE 05  
9315268814:# 5/12

HOUSE BILL NO. 3321

PASSED: MAY 15, 2000

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

APPROVED this 23<sup>rd</sup> day of May, 2000

  
DON SUNDQUIST, GOVERNOR

effective  
date  
Dec 2, 1999



Department of State

To all to whom these Presents shall come, Greeting:  
I, Riley C. Darnell, Secretary of State  
of the State of Tennessee, do hereby certify that the annexed is a true  
copy of

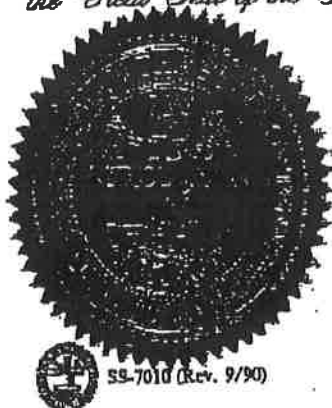
PRIVATE CHAPTER NO. 49

HOUSE BILL NO. 1984

PRIVATE ACTS OF 1999

the original of which is now on file and a matter of record in this office.

In Testimony Whereof, I have hereunto  
subscribed my Official Signature and by order of the Governor affixed  
the Great Seal of the State of Tennessee at the Department in the  
City of Nashville, this 23rd day  
of June, A.D. 1999



Riley C. Darnell  
Secretary of State



## **SUMMARY OF THE ORGANIZATION OF COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY**

Cookeville Regional Medical Center Authority is a Private Act Hospital Authority created under the provisions of T.C.A. § 7-57-601. The Authority was created by Chapter 49 of the Tennessee Private Acts of 1999, which Act served to both create the Cookeville Regional Medical Center Authority and to amend the City of Cookeville charter regarding the operation of Cookeville Regional Medical Center, which had operated as a department of the City of Cookeville until passage of this Private Act. The Private Act became effective on December 2, 1999.

Cookeville Regional Medical Center Authority is a quasi-municipal corporation independent of the City of Cookeville.

Subsequent to its passage the creating legislation was amended by Chapter 115 of the Tennessee Private Acts of 2000 for the purpose of clarifying the power of the Authority to act on its own behalf. Private Chapter 115 established that the Authority may not borrow money in its own name without a majority vote of the Cookeville City Council. The Authority also may not purchase real property without the approval of a majority vote of the Cookeville City Council and all such real property shall be titled in the name of the City of Cookeville.

The real estate upon which Cookeville Regional Medical Center is located remains the property of the City of Cookeville along with all of the buildings, equipment, furniture and fixtures. The Authority operates and controls the facilities including the hospital, clinical and health care facilities associated with Cookeville Regional Medical Center. The Authority controls the working capital, cash, accounts receivable and

revenues of Cookeville Regional Medical Center. By contract entered into on December 10, 1999 the City of Cookeville and the Authority recognized that the rights of the Authority to the working capital, cash, accounts receivable and future revenues did not extend to any assets or revenues necessary to retire any indebtedness existing on the date of the agreement with respect to which the revenues of Cookeville Regional Medical Center had been pledged. The Authority is required by contract to make payment on the indebtedness which existed at the time of its creation. Subsequently the Authority issued bonds which allowed the City bonds to be retired.

Annually the Authority must present its budget to the City of Cookeville through the City Manager, and the budget must be approved by the Cookeville City Council before it becomes effective.

The Authority is governed by a nine person board of directors. Seven of the directors are appointed by the Cookeville City Council and serve seven year terms. One director is appointed each year by the Council. The Mayor of the City of Cookeville and the Chief of the Medical Staff of the Authority serve as directors by virtue of their office.

The Authority will continue to operate the health care facilities of the City of Cookeville on an indefinite basis. However, should the City of Cookeville sell, lease or otherwise transfer its ownership of the hospital facilities, the rights of the Authority to control the working capital and operate will terminate on the date of the transfer.



## State of Tennessee

PRIVATE CHAPTER NO. 49

HOUSE BILL NO. 1984

By Representative Hargrove

Substituted for: Senate Bill No. 1987

By Senator Burke

AN ACT to establish the Cookeville Regional Medical Center Authority and to amend Chapter 223 of the Private Acts of 1981; as subsequently amended by various private acts, including Chapter 61 of the Private Acts of 1995; Chapter 209 of the Private Acts of 1996 and Chapter 14 of the Private Acts of 1997; and any other acts amendatory thereto, relative to the Cookeville Regional Medical Center.

WHEREAS, Cookeville Regional Medical Center was established as part of the Charter of the City of Cookeville pursuant to Chapter 223 of the Private Acts of 1981, as subsequently amended by various private acts, including Chapter 61 of the Private Acts of 1995, Chapter 209 of the Private Acts of 1996, and Chapter 14 of the Private Acts of 1997; and

WHEREAS, Chapter 223 of the Private Acts of 1981, as subsequently amended, established a Board of Trustees for Cookeville Regional Medical Center, the powers and duties for such Board of Trustees, terms of offices and elections of successors for such Board of Trustees, and other powers relative to the operation of Cookeville Regional Hospital and related facilities; and

WHEREAS, significant changes in the delivery of health care have occurred since the establishment of Cookeville Regional Medical Center and its Board of Trustees; and

WHEREAS, the organization of the Board of Trustees of Cookeville Regional Medical Center as part of the Cookeville City Charter creates constraints on the authority and operations of such Board of Trustees so as to preclude it from responding to the changes in the delivery of health care; and

WHEREAS, the General Assembly finds that the operations of Cookeville Regional Medical Center and related facilities will be enhanced if its Board of Trustees is reconstituted as a private act hospital authority as that term is used in 1996 Tenn. Pub. Acts, Ch. 778, the Private Act Hospital Authority Act of 1996; and

WHEREAS, the purpose of this act is to reconstitute the Board of Trustees of Cookeville Regional Medical Center as the Board of Trustees of the Cookeville Regional Medical Center Authority, such to have the powers granted to private act hospital authorities under the Private Act Hospital Authority Act of 1996; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. There is hereby created the Cookeville Regional Medical Center Authority established for the purpose of operating Cookeville Regional Hospital and all other hospital, clinical and health care facilities related thereto.

SECTION 2. Cookeville Regional Medical Center Authority is a private act hospital authority as that term is used in 1996 Tenn. Pub. Acts, Ch. 778, the Private Act Hospital Authority Act of 1996. All hospital, clinical and health care facilities operated and controlled by the Board of Trustees of Cookeville Regional Medical Center, as set forth in the City Charter of Cookeville as of the effective date of this act, shall hereinafter be operated and controlled by the Board of Trustees of Cookeville Regional Medical Center Authority. The Cookeville Regional Medical Center Authority shall have the right to use the name of Cookeville Regional Medical Center, Cookeville Regional Hospital and any other names adopted by its Board of Trustees.

SECTION 3. Upon approval of the local governing body, as set forth in section 17 below, the initial Board of Trustees of Cookeville Regional Medical Center Authority shall be the same persons who are the Board of Trustees of Cookeville Regional Medical Center upon such date. The terms of the additional Board of Trustees of Cookeville Regional Medical Center Authority shall continue until the respective dates of expiration that would have been applicable under the Charter of the City of Cookeville in the absence of this Act. Thereafter, the election and terms of offices shall be as set forth herein.

SECTION 4. Subject to sections 5 and 11, and other provisions relative to removal from office, the term of office for members of the Board of Trustees shall be for seven (7) years, and no member shall serve more than one (1) full term without a three (3) year break. One (1) trustee of said board shall be a physician who is a member of the hospital medical staff who will serve a seven (7) year term, one (1) trustee shall be the person holding the office of Mayor of the City of Cookeville, Tennessee, who shall serve during his/her term of office, and one (1) trustee shall be the person holding the position of Chief of Staff of Cookeville Regional Medical Center, who shall serve during his/her term of office. All members of the Board of Trustees shall have the right to vote. The term of office of all trustees, except the Mayor of the City of Cookeville and the hospital chief of staff, shall expire on July 31 of the year in which his/her term of office ends, and each new trustee shall take office on August 1 after his/her election.

SECTION 5. Annually the Cookeville City Council shall elect for a seven (7) year term, in the manner hereinafter provided, a successor to that member of the Board of Trustees whose term shall have expired. No action on the part of the Cookeville City Council need be taken to replace or name a successor to the board upon a change in the office of mayor or chief of staff, for the new mayor and chief of staff shall automatically become an ex officio member of said Board of Trustees. Members of said board, except members of the medical staff of Cookeville Regional Medical Center, shall be residents of the City of Cookeville. A trustee whose term has expired shall continue to serve until his or her successor shall have been elected in the manner herein provided. In the event of death or resignation of a trustee prior to the expiration of his or her term, his or her successor shall be elected for the unexpired term in the same manner as the deceased or retiring trustee was elected, and shall take office upon election. Such successor trustee shall be eligible for re-election for a full term. Any member of the Board of Trustees can be removed from the board by a unanimous vote of the other members of the Board of Trustees.

SECTION 6. The Cookeville City Council shall elect the successor trustee or trustees from among three (3) nominees for each trustee to be elected and whose names shall be submitted to the council by the remaining trustees not less than thirty (30) days prior to the expiration of the term of any trustee whose successor is to be elected, provided, however, that the city council by a majority vote of its members may elect a successor trustee or trustees not nominated by the board.

SECTION 7. The Board of Trustees shall hold regular meetings on a date or dates which it shall establish. Called meetings may be held at any time upon two (2) days written notice, on call of the chairman or of any three (3) members of the said board, provided that members may waive notice of call of any meetings. The proceedings of all meetings shall be recorded in an official minute book which shall be a public record. Five (5) of the members of the said Board of Trustees shall constitute a quorum for the transaction of business, and any action taken at a meeting of the board shall be by a majority vote, a quorum being present. As soon as practicable, the Board of Trustees shall promulgate and record on permanent record the rules under which it will operate.

SECTION 8. The Board of Trustees shall meet as soon as possible after the effective date of this act and after the election required under section 5 for the purpose of (1) electing one of its members as chairman, (2) electing one of its members as secretary, (3) selecting a person to serve as administrator, who shall also serve as the treasurer of the board, and who shall execute bond for the faithful performance of his said duties as treasurer and administrator, in an amount to be fixed and determined by said board, said bond to be approved by said board.

SECTION 9. The Board of Trustees shall have the responsibility and authority to control and operate the hospital, clinical and health care facilities described herein; to receive all revenues derived from such facilities, and any donations or grants; and to disburse all such monies to discharge the financial obligations related to the facilities described in this act and otherwise as determined by the Board of Trustees; to exercise the powers granted to private act

(1) The Board of Trustees of the Cookeville Regional Medical Center Authority by majority vote of its membership adopts a resolution that finds and declares:

(A) that an emergency exists in the operation of such facility because of its rapidly deteriorating financial condition and inability to meet current cash requirements, debts payable, or lacks adequate operating capital;

(B) that the continued operation of the hospital is not economically feasible;

(C) that the continued operation of such facility will adversely affect the financial stability of the city; and

(2) After a public hearing, the Cookeville City Council by unanimous vote of its membership approves the recommendations of the Board of Trustees of the Cookeville Regional Medical Center Authority, or

(3)

(A) The Board of Trustees of the Cookeville Regional Medical Center Authority by majority vote of its membership adopts a resolution that finds and declares that part of the buildings and real property of such facilities is no longer needed by the Board of Trustees for the operation of such hospital and clinical facilities; that such buildings and property are surplus; and that the board recommends to the Cookeville City Council that such property be sold, leased or transferred by the City of Cookeville; and

(B) After a public hearing, the Cookeville City Council by unanimous vote of its membership, approves the recommendations of the Board of Trustees of the Cookeville Regional Medical Center Authority of either the sale or lease of such portion of the property.

(b) A referendum required by this section shall be held at any General Election or City Election or may be held at a special election called for such purpose. The ballots used in such election shall have printed on them the substance of the proposed sale or lease or the proposed disposal of such hospital or real property and the voters shall vote for or against its approval.

(c) The provisions of this section do not apply to the disposal of personal property of such hospital and clinical facilities which is obsolete, surplus or unusable and such personal property shall be disposed of in accordance with a policy established by the board.

The provisions of this section do not apply to transfers from the city of Cookeville to the Cookeville Regional Medical Center Authority for the purposes of effectuating this act.

SECTION 16. Chapter 223 of the Private Acts of 1981, as subsequently amended by various private acts, is amended by deleting the current sections of Article IX of the Cookeville City Charter in their entirety and substituting instead the following:

Section 9.01. The Cookeville City Council shall take necessary action to elect and replace the members of the Board of Trustees of Cookeville Regional Medical Center Authority, as provided in the private act creating such authority.

SECTION 17. This act shall have no effect unless it is approved by a two-thirds (2/3) vote of the Cookeville City Council. Its approval or non-approval shall be proclaimed by the Presiding Officer of the Cookeville City Council and certified by him to the Secretary of State.

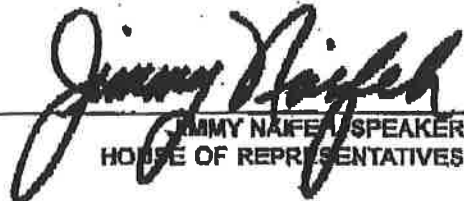
**HB 1984**

**SECTION 18.** For the purpose of approving and rejecting the provisions of this act, it shall be effective upon becoming law, the public welfare requiring it. For all other purposes, it shall become effective upon being approved, as provided in Section 17.



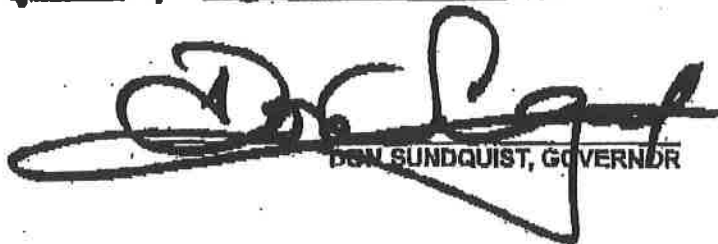
HOUSE BILL NO. 1984

PASSED: MAY 27, 1999

  
JIMMY NAFEA, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

APPROVED this 17<sup>th</sup> day of June 1999

  
DON SUNDQUIST, GOVERNOR

**TAB 4**

	2000 *	2005e *	2010e *	2011e *	2012e *	2013e *	2014e *	2015e *	2016e *
Clay	7,976	7,895	7,866	7,877	7,868	7,859	7,850	7,841	7,832
Cumberland	46,802	54,109	55,047	56,001	56,972	57,960	58,965	59,987	61,027
DeKalb	17,423	18,954	19,139	19,326	19,515	19,706	19,899	20,094	20,290
Fentress	16,625	17,677	17,801	17,926	18,051	18,177	18,304	18,432	18,561
Jackson	10,884	10,895	10,883	10,871	10,859	10,847	10,835	10,823	10,811
Macon	20,386	22,057	22,199	22,342	22,486	22,631	22,777	22,924	23,072
Overton	20,118	21,050	21,170	21,281	21,382	21,504	21,618	21,729	21,842
Pickett	4,945	4,783	4,765	4,748	4,731	4,714	4,697	4,680	4,663
Putnam	52,313	72,431	73,735	75,052	76,413	77,788	79,188	80,613	82,064
Smith	17,712	19,201	19,380	19,561	19,744	19,928	20,114	20,302	20,491
Van Buren	5,508	5,480	5,477	5,474	5,471	5,468	5,465	5,462	5,459
Warren	38,276	40,481	40,742	41,005	41,269	41,535	41,803	42,072	42,343
White	23,102	25,444	25,750	26,019	26,311	26,605	26,905	27,207	27,512
Primary	118,518	129,830	131,518	133,293	134,975	136,745	138,544	140,372	142,229
Secondary	175,653	190,637	192,436	194,260	196,107	197,978	199,874	201,794	203,738
Total	282,172	320,467	323,954	327,493	331,082	334,723	338,418	342,166	345,967

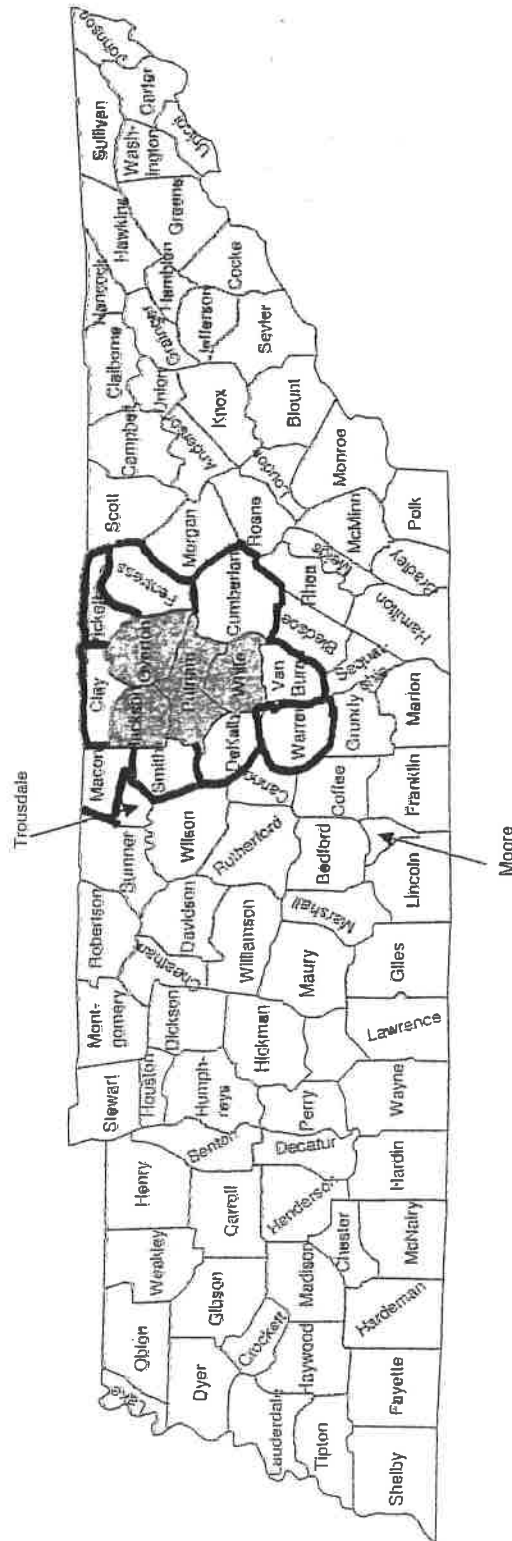
\* Source: Population Division, U.S. Census Bureau, Estimates of Population Change for Counties

\* Source: Extrapolated statistical estimation by Wayne Allen, M.T. (A.S.C.P.)

	Percent Change 2000 to 2010	Percent Change 2000 to 2015	Percent Change 2000 to 2020	Percent Change 2010 to 2015	Percent Change 2010 to 2020	Percent Change 2015 to 2020
Clay	-1.1%	-1.7%	-2.3%	-0.6%	-1.1%	-0.6%
Cumberland	17.6%	28.2%	39.7%	9.0%	18.8%	9.0%
DeKalb	9.8%	15.3%	21.1%	5.0%	10.2%	5.0%
Fentress	7.1%	10.9%	14.8%	3.5%	7.2%	3.6%
Jackson	-0.9%	-1.5%	-1.7%	-0.6%	-0.8%	-0.3%
Macon	8.9%	12.4%	16.1%	3.3%	6.6%	3.3%
Overton	5.2%	8.0%	10.9%	2.6%	5.3%	2.6%
Pickett	-3.6%	-5.4%	-7.1%	-1.8%	-3.6%	-1.8%
Putnam	18.3%	29.4%	41.4%	9.3%	19.5%	9.3%
Smith	9.4%	14.6%	20.1%	4.8%	9.7%	4.8%
Van Buren	-0.6%	-0.8%	-1.1%	-0.3%	-0.5%	-0.3%
Warren	6.4%	9.9%	13.5%	3.3%	6.6%	3.3%
White	11.4%	17.8%	24.5%	5.7%	11.8%	5.7%
Primary	12.9%	20.5%	28.7%	6.7%	14.1%	6.9%
Secondary	9.6%	14.9%	20.6%	4.9%	10.0%	4.9%
Total	10.9%	17.1%	23.8%	5.6%	11.7%	5.7%

**TAB 5**

# TENNESSEE

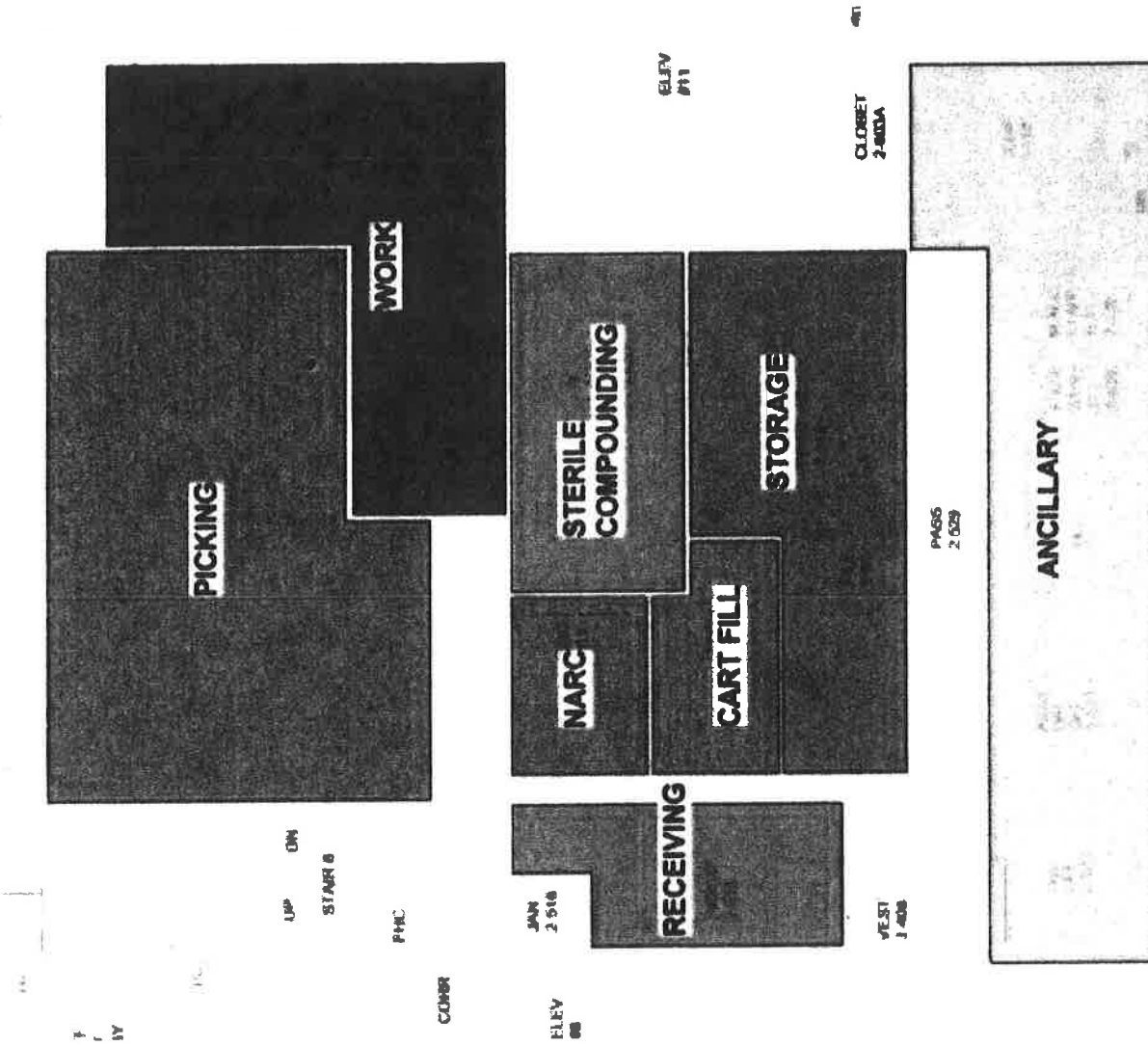


**TAB 6**

## PHARMACY NEEDS

- More efficient layout/flow
- Space to accommodate future patient bed growth
- Future sterile compounding growth
- Future formulary growth and through-put increase
- Additional storage for 4 days of medication stock
- Additional Narcotics storage

## B.II.A



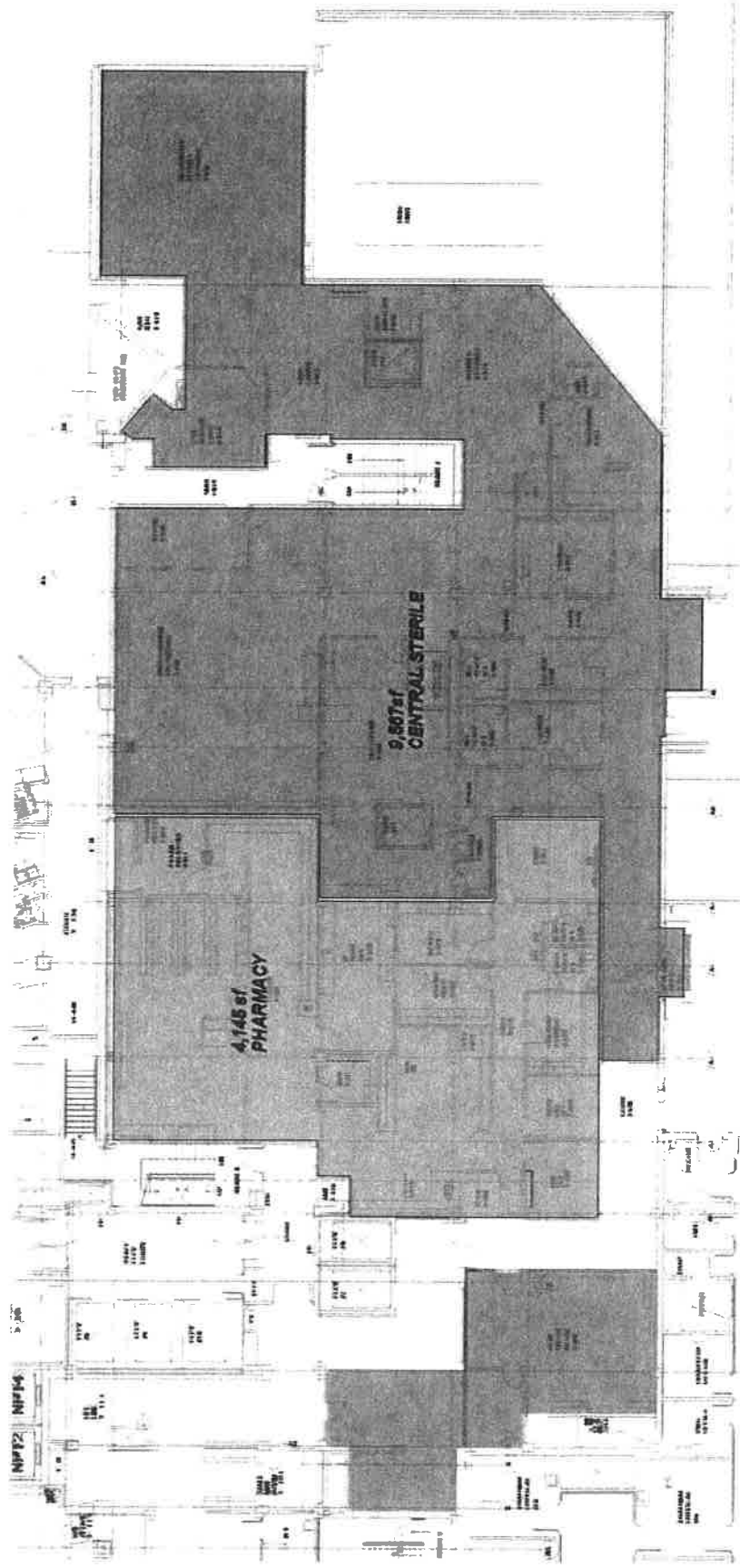
**TAB 7**





**TAB 8**

- In-efficient department layout/flow
- No in-place expansion room for either department
- Correction of CS and Pharmacy issues now reduce scope and cost of future Patient Tower project



B.II.A



GRESHAM, SMITH AND PARTNERS

SECOND FLOOR PLAN - EAST TOWER

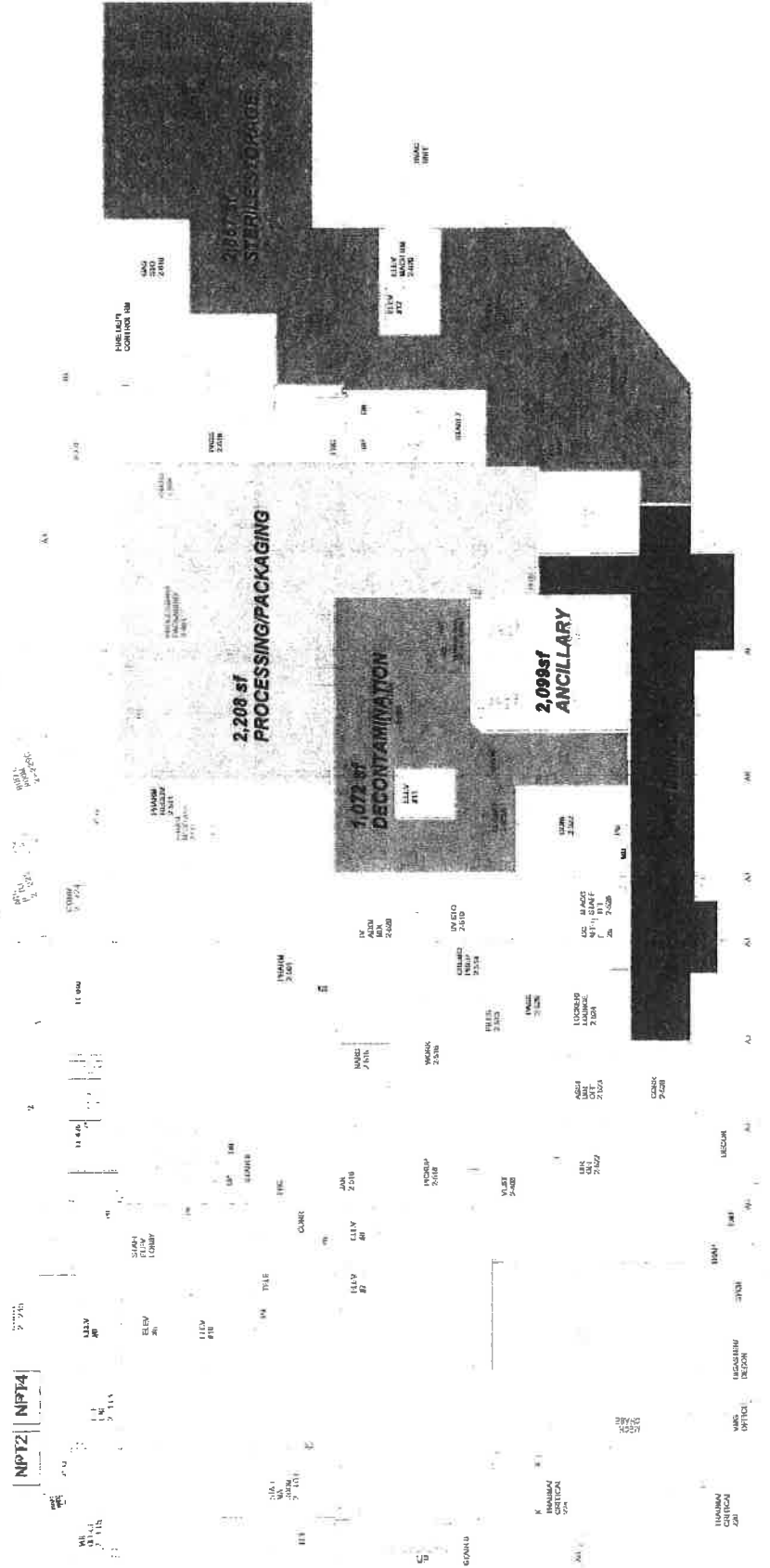
**TAB 9**

**CENTRAL STERILE NEEDS:**

- Improved receiving area
- More efficient layout
- Increased sterile storage
- Proper location for ancillary spaces

- CENTRAL STERILE NEEDS:**

  - Improved receiving area
  - More efficient layout
  - Increased sterile storage
  - Proper location for ancillary spaces



## B.II.A

- Increased space in decontamination for equipment to support OR case load

- Improved flow
- Improved receiving area
- Increased storage

- Increased space in processing/packaging for equipment to support OR case load



**TAB 11**



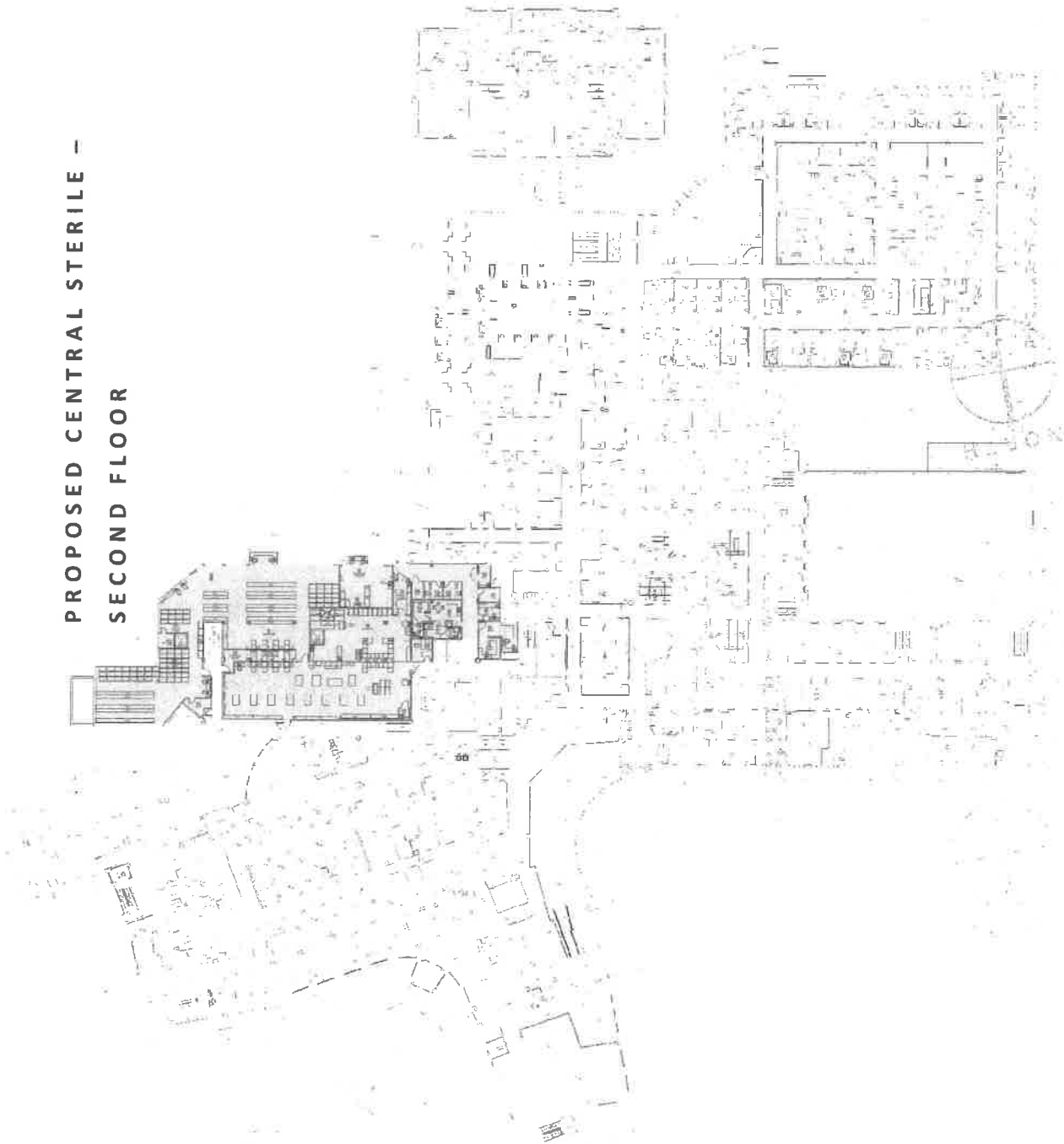
One Medical Center Blvd. + Cookeville, TN 38501  
931-528-2541 + Physician Referral: 931-783-2571 + [ermchealth.org](http://ermchealth.org)



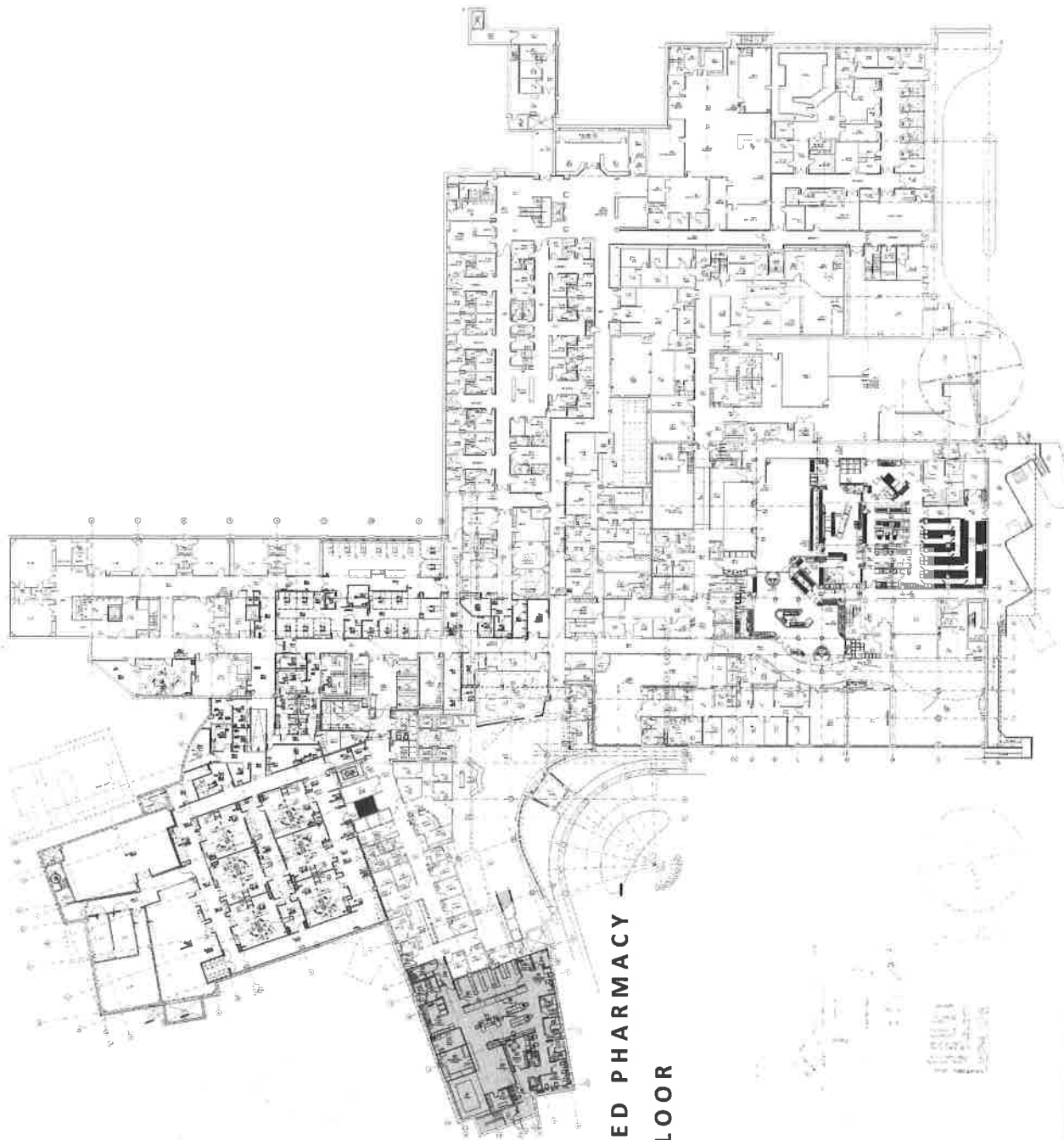


**TAB 12**

PROPOSED CENTRAL STERILE -  
SECOND FLOOR



**TAB 13**



**PROPOSED PHARMACY -  
FIRST FLOOR**



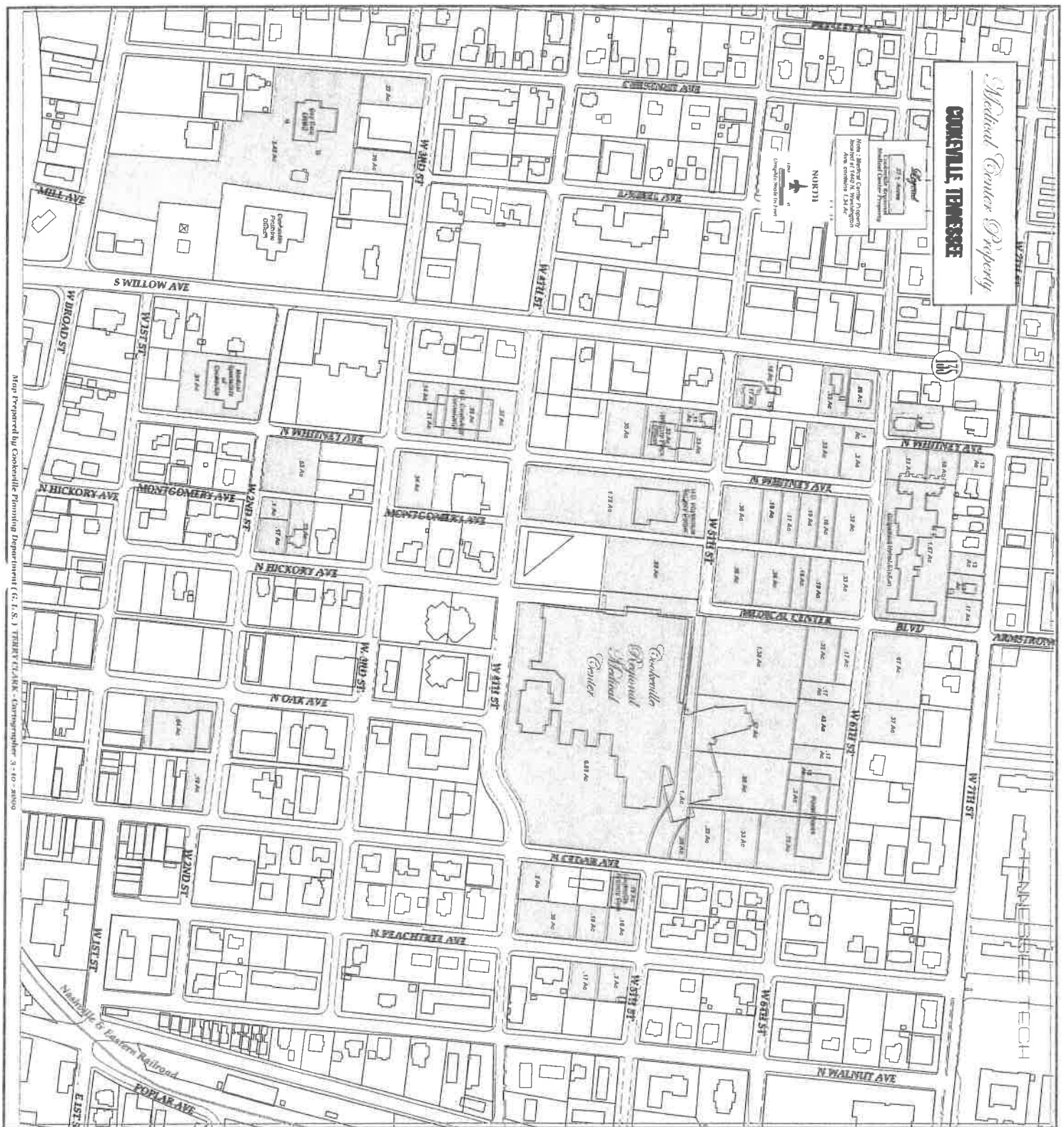
GRESHAM, SMITH AND PARTNERS



FIRST FLOOR PLAN - OVERALL

**B.III.A**

**TAB 14**



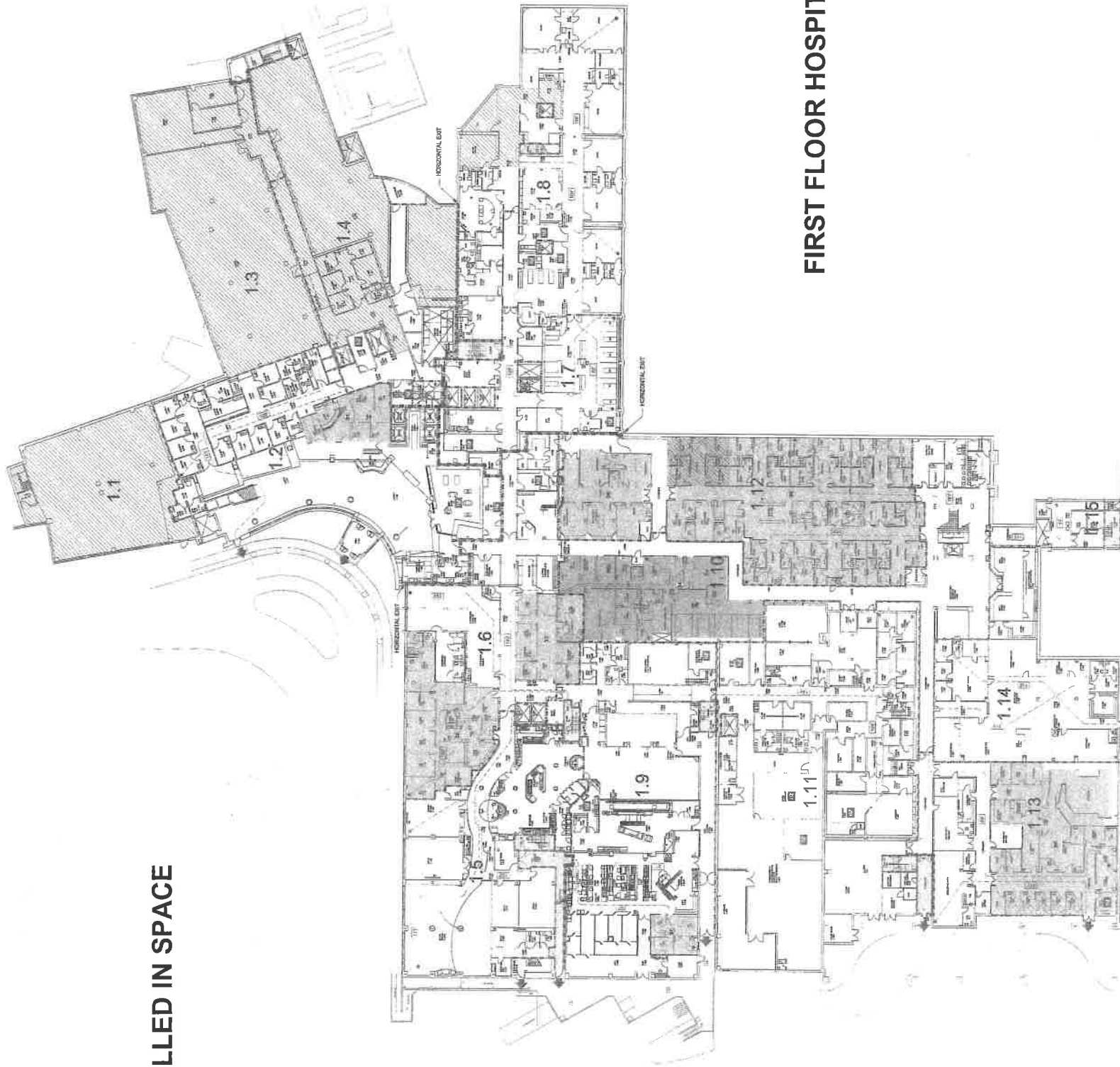
**TAB 15**

*J. Neurosci.* 2007, 27(18):4933–4941 • 4941



**TAB 16**

1.1 SHELLED IN SPACE



FIRST FLOOR HOSPITAL

**TAB 17**

A map of Kentucky showing its counties. The Louisville area is shaded in gray and outlined with a thick black line. The shaded area includes Jefferson, Shelby, Madison, Clark, and Jefferson counties. The Louisville area is outlined with a thick black line. Labels for 'Tinsdale' and 'Moore' are present with arrows pointing to specific locations. 'Tinsdale' is located near the top right, and 'Moore' is located near the bottom left.

### C.3 NEED

**TAB 18**

	2010 total population	2010 age 65 and over	% of age 65 and over to total		2014 total population	2014 age 65 and over	% of age 65 and over to total
Putnam	71,140	10,524	14.7%		73,942	11,907	16.1%
White	25,189	4,149	16.4%		25,896	4,575	17.6%
Jackson	11,277	1,881	16.6%		11,581	2,122	18.3%
Overton	21,208	3,601	16.9%		21,567	3,941	18.2%
Total Primary service area	128,814	20,155	15.6%		132,986	22,545	16.9%
Clay	8,184	1,402	17.1%		8,256	1,534	18.5%
Cumberland	54,840	13,558	24.7%		56,879	15,276	26.8%
DeKalb	19,080	2,800	14.6%		19,710	3,038	15.4%
Fentress	17,965	2,959	16.4%		18,380	3,369	18.3%
Macon	22,746	2,931	12.8%		23,706	3,251	13.7%
Pickett	5,001	1,038	20.7%		5,144	1,162	22.5%
Smith	19,702	2,505	12.7%		20,565	2,787	13.5%
Van Buren	5,513	835	15.1%		5,538	923	16.6%
Warren	41,541	6,040	14.5%		43,042	6,670	15.4%
Total secondary service area	194,572	34,068	17.5%		201,220	38,010	18.8%
Total overall	323,386	54,223	16.7%		334,206	60,555	18.1%

## C.4 NEED

	2009 total population	Total TennCare	% of TennCare to total population				
Putnam	70,390	14,325	20.3%				
White	24,992	5,804	23.2%				
Jackson	11,177	2,707	24.2%				
Overton	21,070	4,993	23.6%				
Total Primary service area	127,629	27,829	21.8%				
Clay	8,138	2,173	26.7%				
Cumberland	54,164	10,476	19.3%				
DeKalb	18,886	4,375	23.1%				
Fentress	17,823	6,190	34.7%				
Macon	22,472	5,507	24.5%				
Pickett	4,963	1,148	23.1%				
Smith	19,449	3,895	20.0%				
Van Buren	5,489	1,352	24.6%				
Warren	41,139	9,771	23.7%				
Total secondary service area	192,523	44,887	23.3%				
Total overall	320,152	72,716	22.7%				

## C.4 NEED

# TAB 19



	Median Household income	Per capita income
Tennessee	\$43,610	\$19,393
Putnam	\$36,398	\$16,927
Jackson	\$31,276	\$15,020
White	\$32,699	\$14,791
Overton	\$32,635	\$13,910
Clay	\$28,831	\$13,320
Cumberland	\$38,360	\$16,808
DeKalb	\$37,016	\$17,217
Fentress	\$28,547	\$12,999
Macon	\$34,475	\$15,286
Pickett	\$29,422	\$14,681
Smith	\$44,536	\$17,473
Van Buren	\$33,211	\$17,497
Warren	\$35,107	\$15,759

Latest statistics from US Census Bureau

**C.4 NEED**

**TAB 20**



*The Proven Choice*

1 Medical Center Boulevard • Cookeville, TN 38501  
931.528.2541

*For proven care, visit [www.crmchealth.org](http://www.crmchealth.org)*

May 1, 2013

Melanie M. Hill, Executive Director  
Tennessee Health Facilities Commission  
Andrew Jackson Building, Suite 850  
500 Deadrick Street  
Nashville, Tennessee 37243

Dear Ms. Hill:

Cookeville Regional Medical Center is applying for a Certificate of Need for the expansion and renovation of our Central Sterile Supply Department and the relocation and expansion of our Pharmacy Department. This will require a capital expenditure estimated in the CON application at approximately \$11,546,920.

As the Chief Executive Officer I am writing to confirm that Cookeville Regional Medical Center has sufficient operating cash flow and cash reserves to provide for the entire cost of the project without the need to borrow any funds. The project is estimated to take 28 to 30 months, thus the cost will be incurred over four separate budget cycles, including the current fiscal year.

Sincerely,

Paul Korth  
Chief Executive Officer  
Cookeville Regional Medical Center

PK/my

C: File

**TAB 21**



Turner Construction Company  
5300 Virginia Way  
Brentwood, TN 37027  
phone: 615-231-6300  
fax: 615-231-6301

April 25, 2013

Subject: Cookeville Regional Medical Center  
Central Sterile & Pharmacy Renovation  
Verification of Construction Cost Estimate

To Whom It May Concern:

Turner Construction Company is an international construction management and general contracting firm based in New York City, with a regional office located in Brentwood, Tennessee. We have reviewed the preliminary Schematic Design Package for the above referenced project.

After reviewing the information provided to us, it is our opinion at this time that that the projected construction cost of \$7,889,418 is reasonable for this type, scope, and complexity of project, and compares similarly to other similar projects in the same geographic region.

Sincerely,

A handwritten signature in dark ink, appearing to read "Andy S. Hylton".

Andy S. Hylton  
Manager, Preconstruction Services

Cc: Scott Roder, CRMC  
Brad Simmons, TCCo  
file

**TAB 22**



G R E S H A M  
S M I T H   A N D  
P A R T N E R S

April 26, 2013

To Whom it May Concern:

**Subject:            Verification of Construction Cost Estimates  
                         Central Sterile/Pharmacy Expansion  
                         Cookeville, Tennessee  
                         GS&P Project No. 29379.00**

Gresham, Smith and Partners is an architectural and engineering firm located in Nashville, Tennessee and has reviewed the cost data for the above referenced project for which this firm has provided preliminary design. The stated cost for this approximately 21,081 square foot renovation is \$7,889,418. [In providing opinions of probable construction cost, the Client understands that the over-all market conditions or the Contractor's method of pricing, and that the Consultant's opinions of probable construction costs are made on the basis of the Consultant's professional judgment and experience. The Consultant makes no warranty, expressed or implied that the bids or negotiated cost of the work will not vary from the Consultant opinion of probable cost.]

It is in our professional opinion, at this time, the projected cost is reasonable for this type and size of project and compares appropriately with similar projects in this market.

The building codes applicable to this project will be:

- International Building Code, 2006 Edition
- NFPA 101, Life Safety Code, 2006 Edition
- ANSI A117.1, 2003 Edition
- FGI Guidelines for Design and Construction of Healthcare Facilities, 2010 Edition

Sincerely,

S. Robert Hamby, AIA, NCARB, LEED AP, EDAC  
Project Architect

srh

Design Services For The Built Environment

1400 Nashville City Center / 511 Union Street / Nashville, Tennessee 37219-1733 / Phone 615.770.8100 / [www.greshamsmith.com](http://www.greshamsmith.com)

**C.3 ECONOMIC FEASIBILITY**

**TAB 23**



**COOKEVILLE REGIONAL MEDICAL  
CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL  
CENTER AND AFFILIATES)**

**Audited Financial Statements and  
Other Information**

**June 30, 2012 and 2011**

**(With Independent Auditors' Report Thereon)**



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

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<b>Financial Statements:</b>	
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**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Cookeville Regional Medical Center Authority  
Cookeville, Tennessee:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Cookeville Regional Medical Center Authority (Cookeville Regional Medical Center and Affiliates) (the "Medical Center"), a component unit of the City of Cookeville, Tennessee, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Cookeville Regional Medical Center Authority as of June 30, 2012 and 2011, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2012 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2012 audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
October 26, 2012

## ***Management's Discussion and Analysis***

Our discussion and analysis of the financial performance of Cookeville Regional Medical Center Authority (the Medical Center) provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2012, 2011 and 2010. Please read this discussion and analysis in conjunction with the accompanying Medical Center's financial statements and footnotes.

## FINANCIAL HIGHLIGHTS

The Medical Center's net assets increased in 2012 by \$5,352,734 which is consistent with the trend for the past two years which demonstrated a \$7,813,430 increase in 2011 and an \$11,787,728 increase in 2010.

- The Medical Center reported operating income in 2012, 2011 and 2010 of \$8,093,067, \$10,134,415 and \$14,214,644, respectively.
- Operating expenses increased by \$8,966,812 or 4% percent in 2012 compared to 2011.

## USING THIS ANNUAL REPORT

The Medical Center's financial statements consist of three statements a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

## THE BALANCE SHEET AND STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenue, Expenses, and Changes in Net Assets report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net assets and changes in them. You can think of the Medical Center's net assets - the difference between assets and liabilities - as one way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net assets are one indicator of whether the Medical Center's financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Medical Center's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

## THE STATEMENTS OF CASH FLOWS

The final required statement is the Statements of Cash Flows. The Statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

## THE MEDICAL CENTER'S NET ASSETS

The Medical Center's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Medical Center's net assets increased by \$5,352,734, (3%), in 2012 as compared to \$7,813,430, (5%), in 2011 and an increase in 2010 of \$11,787,728 (9%).

## OPERATING RESULTS AND CHANGES IN THE MEDICAL CENTER'S NET ASSETS

The Medical Center continues to experience increases in inpatient days of 2%, 5% and 3% for 2012, 2011 and 2010, respectively. Outpatient volume also continues to increase by 3% and 3% in 2012 and 2011, respectively. In 2012 net patient service revenue increased by \$5,897,171 (3%). This increase can be attributed to the increase in volume experienced by the Medical Center in the Imaging Center when the Medical Center acquired the imaging services from Tennessee Heart, PLLC.

## OPERATING INCOME

The first component of the overall change in the Medical Center's net assets is its operating income (loss) - generally, the difference between net patient service and expenses incurred to perform those services. In each of the past three years, the Medical Center has reported an operating income. This is consistent with the Medical Center's entire operating history. Operating income in 2012 decreased by 20% when compared to 2011, which decreased 29% percent from the operating income reported in 2010. Employee salary and benefits costs have increased over the past three years based on rates established with market surveys for the corresponding year and an average cost of living increase of 3%. Contributing to the increase in employee salary and benefit costs was the employment of the cardiologists from Tennessee Heart, PLLC which had a net impact for salary and benefits compared to last year of 18%. During the fiscal year, the Medical Center eliminated certain sick benefits which were payable upon retirement that resulted in approximately \$708,000 being recognized as income. Also, during the fiscal year the Medical Center experienced approximately a 6% increase in other expenses in which the majority is related to implementation of the "meaningful use" certified electronic health record (EHR). In order to meet the requirements for the "meaningful use" criteria, the Medical Center has executed several new software maintenance contracts and upgraded several existing applications. The Medical Center anticipates beginning the attestation period on January 1, 2013 and anticipates receiving the incentive payments for the adoption and meaningful use of the certified electronic health record technology beginning in the last quarter of fiscal year 2013.

A component of the Medical Center's costs is expenses for medical supplies. During fiscal year 2012, the medical and other supplies increased 4% as compared to 2011. The majority of this increase can be attributed to the new technology that is available at the Medical Center such as robotic surgery for various specialties and the electrophysiology. Robotic surgery has been available at the Medical Center but the volume for this service continues to increase with the demands of the industry. Electrophysiology became available as a service at the Medical Center in May 2011. During fiscal year 2012, the electrophysiology suite was completed and this service experienced an increase in volume of 135%. Also, during the year the Medical Center experienced higher drug costs along with the rest of the industry due to the shortage of certain drugs.

The Medical Center's provision for bad debt continued to increase in 2012 by 13% when compared to 2011 as it did in 2011 in comparison to 2010. In spite of the rise in premium costs throughout our economy, the Medical Center continues to manage the bad debts of the facility. Employers are increasing out-of-pocket expenses for their employees in an effort to reduce the premium costs for the employer. Along with this increased cost to the employee comes the increased number of uninsured due to the inability to pay the extra out-of-pocket expense. The Medical Center continues to write off accounts to bad debt once an account is deemed uncollectible. The Medical Center works hard to collect the balance of the account within 150 days, prior to the account being reserved for as bad debt.

## OPERATING INCOME - Continued

The Medical Center sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals set forth for the Medical Center when it was established. The level of services provided to these patients in 2012 and 2011 was \$2,921,919 and \$2,755,715, respectively. Because there is no expectation of repayment, charity care is not reported as patient service revenue of the Medical Center.

## CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets:* At the end of 2012, the Medical Center had \$260,166,482 invested in capital assets, before accumulated depreciation and excluding construction in progress, as detailed in Note 6 of the financial statements. In 2012, the Medical Center purchased new equipment and other additions costing \$4,944,451 as compared to additions in 2011 and 2010 of \$9,063,944 and \$4,203,926, respectively.

During the year the Medical Center continues to take steps to comply with Health Technology for Economic and Clinical Health Act (HITECH). The HITECH act will provide incentive payments to facilities that have an electronic health record (EHR) that meet the "meaningful use" criteria which is established by the act. In order to meet the meaningful use criteria established by HITECH, the Medical Center purchased several information systems. The Medical Center invested approximately \$4.1 million dollars in new technology for the facility.

The Medical Center completed the build out of the new Electrophysiology suite in July 2012. The Medical Center invested approximately \$3.5 million dollars to construct a state of the art lab to bring new technology to patients of the Upper Cumberland. The Medical Center is in the process of building new surgery suites to accommodate the increased surgical volume at the facility. During the fiscal year, the Medical Center invested approximately \$11 million dollars in the surgery project which has an estimated completion cost of approximately \$17 million dollars.

*Debt:* At year-end, the Medical Center had \$88,345,466 in bonds as compared to \$91,170,821 and \$63,637,075 outstanding in 2011 and 2010, respectively.

As detailed in Note 8, the Medical Center issued \$30,000,000 Build America Bonds Series 2011 during fiscal year 2011. A portion of the bonds were used to fund the completion of the new OB suites and Electrophysiology Labs that were completed during fiscal year 2011. The remainder of the funds will be used to complete the new surgical suite construction which should be completed in fiscal year 2013. These bonds provide for a refundable tax credit paid to the Medical Center by the Treasury Department and the Internal Revenue Service in an amount equal to 35% of the total coupon interest payable on these taxable bonds. Please see Note 8 and Note 9 for additional information.



## OTHER ECONOMIC FACTORS

There is much uncertainty regarding the economy and the impact on healthcare. With the passage of the national Healthcare Reform Bill and the reductions in the State budget for TennCare, additional demands are being placed on healthcare providers. Healthcare providers are challenged more than ever with balancing declining revenues and increased expenses while providing the best quality patient care.

## CONTACTING THE MEDICAL CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Medical Center's Accounting Office at Cookeville Regional Medical Center, 1 Medical Center Boulevard, Cookeville, Tennessee 38501.

## OFFICERS

Menachem Langer, MD, MBA, Chief Executive Officer  
Paul Korth CFO, Chief Financial Officer  
Linda Crawford, Chief Clinical Officer  
John Beal, Chief Legal Counsel

## BOARD OF TRUSTEES

Paul Swallows, Chairman  
Drue Huffines, Past-Chairman  
Bob Allen, Vice-Chairman  
David Hatcher, Secretary  
Bob Bell  
Marilyn Gray  
Sullivan Smith, MD  
Matt Swallows, Mayor  
Jason Nolan, M.D

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Balance Sheets**

**June 30, 2012**

Assets

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>MSO Sub 1</u>	<u>Total</u>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 16,571,850	\$ 26,385	\$ 232,506	\$ 105,221	\$ 16,935,962
Short-term investments	5,473,333	-	-	-	5,473,333
Patient accounts receivable, less allowance for uncollectible accounts of \$12,065,579	24,542,664	-	1,077,150	1,413,110	27,032,924
Other receivables	599,904	-	-	37	599,941
Inventories	6,137,550	1,426	55,518	-	6,194,494
Prepaid expenses	<u>2,403,039</u>	<u>443</u>	<u>11,153</u>	<u>353,119</u>	<u>2,767,754</u>
<b>Total current assets</b>	<u>55,728,340</u>	<u>28,254</u>	<u>1,376,327</u>	<u>1,871,487</u>	<u>59,004,408</u>
<b>Assets limited as to use:</b>					
By Board for capital acquisitions	10,000,000	-	-	-	10,000,000
By bond indenture agreement	<u>10,235,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,235,074</u>
<b>Total assets limited as to use</b>	<u>20,235,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,235,074</u>
<b>Property and equipment, net</b>	<u>180,864,079</u>	<u>835,176</u>	<u>63,815</u>	<u>-</u>	<u>181,763,070</u>
<b>Other assets:</b>					
Long-term investments	12,566,193	-	-	-	12,566,193
Investment in joint venture	863,078	-	-	-	863,078
Bond issuance costs, net	443,934	-	-	-	443,934
Deferred outflows - interest rate swap	4,934,572	-	-	-	4,934,572
Other noncurrent receivables	<u>396,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,079</u>
<b>Total other assets</b>	<u>19,203,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,203,856</u>
	<u>\$ 276,031,349</u>	<u>\$ 863,430</u>	<u>\$ 1,440,142</u>	<u>\$ 1,871,487</u>	<u>\$ 280,206,408</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Balance Sheets, Continued**

**June 30, 2012**

**Liabilities and Net Assets**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>MSO Sub 1</u>	<u>Total</u>
<b>Current liabilities:</b>					
Accounts payable	\$ 8,697,206	\$ 2,618	\$ 273,722	\$ 112,611	\$ 9,086,157
Accrued salaries and related liabilities	5,716,406	14,531	519,142	263,248	6,513,327
Other accrued expenses	3,609,447	6,985	578	-	3,617,010
Current portion of long-term debt	2,964,527	-	-	-	2,964,527
Estimated amounts due to third-party payors	<u>4,456,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,456,985</u>
<b>Total current liabilities</b>	<u>25,444,571</u>	<u>24,134</u>	<u>793,442</u>	<u>375,859</u>	<u>26,638,006</u>
Due to (from) related party	<u>(16,812,359)</u>	<u>144,125</u>	<u>14,004,419</u>	<u>2,663,815</u>	<u>-</u>
Long-term debt, excluding current portion	<u>85,380,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,380,939</u>
Other long-term liabilities - estimated fair value of interest rate swap	<u>4,934,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,934,572</u>
<b>Total liabilities</b>	<u>98,947,723</u>	<u>168,259</u>	<u>14,797,861</u>	<u>3,039,674</u>	<u>116,953,517</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	102,753,687	835,176	63,815	-	103,652,678
Unrestricted (deficit)	<u>74,329,939</u>	<u>(140,005)</u>	<u>(13,421,534)</u>	<u>(1,168,187)</u>	<u>59,600,213</u>
<b>Total net assets</b>	<u>177,083,626</u>	<u>695,171</u>	<u>(13,357,719)</u>	<u>(1,168,187)</u>	<u>163,252,891</u>
	<u>\$ 276,031,349</u>	<u>\$ 863,430</u>	<u>\$ 1,440,142</u>	<u>\$ 1,871,487</u>	<u>\$ 280,206,408</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Balance Sheets**

**June 30, 2011**

**Assets**

	<u><b>Hospital</b></u>	<u><b>Children's Center</b></u>	<u><b>CRMG</b></u>	<u><b>Total</b></u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,829,045	\$ 13,701	\$ 833,626	\$ 2,676,372
Short-term investments	21,489,805	-	-	21,489,805
Patient accounts receivable, less allowance for uncollectible accounts of \$13,729,048	21,515,807	-	1,459,302	22,975,109
Other receivables	518,017	-	-	518,017
Inventories	5,648,717	542	71,293	5,720,552
Prepaid expenses	<u>2,025,969</u>	<u>-</u>	<u>24,102</u>	<u>2,050,071</u>
Total current assets	<u>53,027,360</u>	<u>14,243</u>	<u>2,388,323</u>	<u>55,429,926</u>
<b>Assets limited as to use:</b>				
By Board for capital acquisitions	10,000,000	-	-	10,000,000
By bond indenture agreement	<u>27,190,755</u>	<u>-</u>	<u>-</u>	<u>27,190,755</u>
Total assets limited as to use	<u>37,190,755</u>	<u>-</u>	<u>-</u>	<u>37,190,755</u>
Property and equipment, net	<u>167,990,162</u>	<u>856,851</u>	<u>77,223</u>	<u>168,924,236</u>
<b>Other assets:</b>				
Long-term investments	5,671,298	-	-	5,671,298
Investment in joint venture	943,158	-	-	943,158
Bond issuance costs, net	513,938	-	-	513,938
Deferred outflows - interest rate swap	3,453,886	-	-	3,453,886
Other noncurrent receivables	<u>911,616</u>	<u>-</u>	<u>-</u>	<u>911,616</u>
Total other assets	<u>11,493,896</u>	<u>-</u>	<u>-</u>	<u>11,493,896</u>
	<u>\$ 269,702,173</u>	<u>\$ 871,094</u>	<u>\$ 2,465,546</u>	<u>\$ 273,038,813</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Balance Sheets, Continued**

**June 30, 2011**

**Liabilities and Net Assets**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>Total</u>
<b>Current liabilities:</b>				
Accounts payable	\$ 6,811,189	\$ 2,037	\$ 118,363	\$ 6,931,589
Accrued salaries and related liabilities	6,028,265	24,048	574,749	6,627,062
Other accrued expenses	4,636,726	7,195	(252)	4,643,669
Current portion of long-term debt	2,825,356	-	-	2,825,356
Current portion of capital lease obligations	14,130	-	-	14,130
Estimated amounts due to third-party payors	<u>2,297,499</u>	<u>-</u>	<u>-</u>	<u>2,297,499</u>
<b>Total current liabilities</b>	<u>22,613,165</u>	<u>33,280</u>	<u>692,860</u>	<u>23,339,305</u>
Due to (from) related party	<u>(7,899,097)</u>	<u>24,282</u>	<u>7,874,815</u>	<u>-</u>
Long-term debt, excluding current portion	<u>88,345,465</u>	<u>-</u>	<u>-</u>	<u>88,345,465</u>
Other long-term liabilities - estimated fair value of interest rate swap	<u>3,453,886</u>	<u>-</u>	<u>-</u>	<u>3,453,886</u>
<b>Total liabilities</b>	<u>106,513,419</u>	<u>57,562</u>	<u>8,567,675</u>	<u>115,138,656</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	103,995,966	856,851	77,223	104,930,040
Unrestricted (deficit)	<u>59,192,788</u>	<u>(43,319)</u>	<u>(6,179,352)</u>	<u>52,970,117</u>
<b>Total net assets</b>	<u>163,188,754</u>	<u>813,532</u>	<u>(6,102,129)</u>	<u>157,900,157</u>
	<u>\$ 269,702,173</u>	<u>\$ 871,094</u>	<u>\$ 2,465,546</u>	<u>\$ 273,038,813</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Statements of Revenues, Expenses and Changes in Net Assets**

**Year ended June 30, 2012**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>MSO Sub 1</u>	<u>Total</u>
<b>Operating Revenue:</b>					
Net patient service revenue, net of provision for bad debts of \$20,442,719	\$ 219,736,928	\$ -	\$ 11,938,706	\$ 3,552,621	\$ 235,228,255
Other revenue	<u>3,809,020</u>	<u>553,070</u>	<u>247,839</u>	<u>-</u>	<u>4,609,929</u>
Total operating revenue	<u>223,545,948</u>	<u>553,070</u>	<u>12,186,545</u>	<u>3,552,621</u>	<u>239,838,184</u>
<b>Operating expenses:</b>					
Salaries, wages and benefits	107,041,900	576,062	15,951,023	3,053,434	126,622,419
Medical and other supplies	50,878,171	36,266	467,338	2,796	51,384,571
Purchased services	19,384,044	9,733	1,796,918	1,490,115	22,680,810
Repairs and maintenance	6,858,719	2,922	12,730	13,605	6,887,976
Depreciation and amortization	11,939,677	26,799	46,781	-	12,013,257
Payments in lieu of taxes	700,000	-	-	-	700,000
Other expenses	<u>10,106,210</u>	<u>19,723</u>	<u>1,169,293</u>	<u>160,858</u>	<u>11,456,084</u>
Total operating expenses	<u>206,908,721</u>	<u>671,505</u>	<u>19,444,083</u>	<u>4,720,808</u>	<u>231,745,117</u>
Operating income (loss)	<u>16,637,227</u>	<u>(118,435)</u>	<u>(7,257,538)</u>	<u>(1,168,187)</u>	<u>8,093,067</u>
<b>Nonoperating income (expenses):</b>					
Investment income	360,647	-	-	-	360,647
Interest expense	(2,828,861)	-	(327)	-	(2,829,188)
Contributions to City of Cookeville	(560,391)	-	-	-	(560,391)
Gain (loss) on disposal of property and equipment	56,858	-	(663)	-	56,195
Other, net	<u>229,392</u>	<u>74</u>	<u>2,938</u>	<u>-</u>	<u>232,404</u>
Net nonoperating revenue (expense)	<u>(2,742,355)</u>	<u>74</u>	<u>1,948</u>	<u>-</u>	<u>(2,740,333)</u>
Excess (deficit) of revenue over expenses	13,894,872	(118,361)	(7,255,590)	(1,168,187)	5,352,734
Net assets, beginning of year	<u>163,188,754</u>	<u>813,532</u>	<u>(6,102,129)</u>	<u>-</u>	<u>157,900,157</u>
Net assets, end of year	<u>\$ 177,083,626</u>	<u>\$ 695,171</u>	<u>\$ (13,357,719)</u>	<u>\$ (1,168,187)</u>	<u>\$ 163,252,891</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Statements of Revenues, Expenses and Changes in Net Assets**

**Year ended June 30, 2011**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>Total</u>
<b>Operating Revenue:</b>				
Net patient service revenue, net of provision for bad debts of \$18,105,485	\$ 217,315,200	\$ -	\$ 12,015,884	\$ 229,331,084
Other revenue	<u>2,809,877</u>	<u>534,782</u>	<u>236,977</u>	<u>3,581,636</u>
<b>Total operating revenue</b>	<u>220,125,077</u>	<u>534,782</u>	<u>12,252,861</u>	<u>232,912,720</u>
<b>Operating expenses:</b>				
Salaries, wages and benefits	104,876,122	528,082	15,301,453	120,705,657
Medical and other supplies	48,836,206	31,788	584,818	49,452,812
Purchased services	20,564,911	9,508	2,401,570	22,975,989
Repairs and maintenance	6,377,007	5,149	17,391	6,399,547
Depreciation and amortization	11,722,850	26,508	77,343	11,826,701
Payments in lieu of taxes	700,000	-	-	700,000
Other expenses	<u>9,440,612</u>	<u>20,113</u>	<u>1,256,874</u>	<u>10,717,599</u>
<b>Total operating expenses</b>	<u>202,517,708</u>	<u>621,148</u>	<u>19,639,449</u>	<u>222,778,305</u>
<b>Operating income (loss)</b>	<u>17,607,369</u>	<u>(86,366)</u>	<u>(7,386,588)</u>	<u>10,134,415</u>
<b>Nonoperating income (expenses):</b>				
Investment income	344,770	-	-	344,770
Interest expense	(2,895,569)	-	(3,577)	(2,899,146)
Loss on disposal of property and equipment	(70,619)	-	-	(70,619)
Other, net	<u>300,625</u>	<u>139</u>	<u>3,246</u>	<u>304,010</u>
<b>Net nonoperating revenue (expense)</b>	<u>(2,320,793)</u>	<u>139</u>	<u>(331)</u>	<u>(2,320,985)</u>
<b>Excess (deficit) of revenue over expenses</b>	15,286,576	(86,227)	(7,386,919)	7,813,430
<b>Net assets, beginning of year</b>	<u>147,902,178</u>	<u>899,759</u>	<u>1,284,790</u>	<u>150,086,727</u>
<b>Net assets, end of year</b>	<u>\$ 163,188,754</u>	<u>\$ 813,532</u>	<u>\$ (6,102,129)</u>	<u>\$ 157,900,157</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

Statements of Cash Flows

Year ended June 30, 2012

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>MSO Sub 1</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>					
Receipts from and on behalf of patients	\$ 218,869,557	\$ -	\$ 12,320,858	\$ 2,139,511	\$ 233,329,926
Receipts from other operations	3,809,020	553,070	247,839	-	4,609,929
Payments to suppliers and contractors	(87,430,655)	(69,600)	(3,261,366)	(1,907,919)	(92,669,540)
Payments to or on behalf of employees	<u>(107,353,759)</u>	<u>(585,579)</u>	<u>(16,006,630)</u>	<u>(2,790,186)</u>	<u>(126,736,154)</u>
Net cash provided (used) by operating activities	<u>27,894,163</u>	<u>(102,109)</u>	<u>(6,699,299)</u>	<u>(2,558,594)</u>	<u>18,534,161</u>
<b>Cash flows from noncapital financing activities:</b>					
Contributions to City of Cookeville	(560,391)	-	-	-	(560,391)
Receipts for nonoperating activities	58,720	74	2,938	-	61,732
Receipts from (payments to) primary enterprise and component units	<u>(8,913,262)</u>	<u>119,843</u>	<u>6,129,604</u>	<u>2,663,815</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(9,414,933)</u>	<u>119,917</u>	<u>6,132,542</u>	<u>2,663,815</u>	<u>(498,659)</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital expenditures	(24,852,632)	(5,124)	(37,786)	-	(24,895,542)
Principal paid on bonds and notes payable	(2,305,000)	-	-	-	(2,305,000)
Proceeds from sale of capital assets	95,896	-	3,750	-	99,646
Interest paid (net of amount capitalized) on bonds and capital lease obligations	(3,349,216)	-	(327)	-	(3,349,543)
Repayment of obligations under capital leases	<u>(14,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,130)</u>
Net cash provided (used) by capital and related financing activities	<u>(30,425,082)</u>	<u>(5,124)</u>	<u>(34,363)</u>	<u>-</u>	<u>(30,464,569)</u>
<b>Cash flows from investing activities:</b>					
Net decrease in investments	9,121,577	-	-	-	9,121,577
Income received from investments	312,822	-	-	-	312,822
Distributions from joint ventures	298,577	-	-	-	298,577
Net decrease in assets limited as to use	<u>16,955,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,955,681</u>
Net cash used by investing activities	<u>26,688,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,688,657</u>
Net increase (decrease) in cash and cash equivalents	14,742,805	12,684	(601,120)	105,221	14,259,590
Cash and cash equivalents at beginning of year	<u>1,829,045</u>	<u>13,701</u>	<u>833,626</u>	<u>-</u>	<u>2,676,372</u>
Cash and cash equivalents at end of year	<u>\$ 16,571,850</u>	<u>\$ 26,385</u>	<u>\$ 232,506</u>	<u>\$ 105,221</u>	<u>\$ 16,935,962</u>

See accompanying notes to the financial statements.



**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Statements of Cash Flows, Continued**

**Year ended June 30, 2012**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>MSO Sub 1</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:					
Income from operations	\$ 16,637,227	\$ (118,435)	\$ (7,257,538)	\$ (1,168,187)	\$ 8,093,067
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation and amortization	11,939,677	26,799	46,781	-	12,013,257
Estimated provision for bad debts	18,829,075	-	1,611,108	2,536	20,442,719
Amortization of bond issuance costs	70,004	-	-	-	70,004
(Increase) decrease in cash due to changes in:					
Patient accounts receivable, net	(21,855,932)	-	(1,228,956)	(1,415,646)	(24,500,534)
Inventories	(488,833)	(884)	15,775	-	(473,942)
Prepaid expenses, other receivables, and other assets	56,580	(443)	12,949	(353,156)	(284,070)
Accounts payable	1,886,017	581	155,359	112,611	2,154,568
Accrued salaries and related liabilities	(311,859)	(9,517)	(55,607)	263,248	(113,735)
Other accrued expenses	(1,027,279)	(210)	830	-	(1,026,659)
Estimated third-party payor settlements	<u>2,159,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,159,486</u>
Total adjustments	<u>11,256,936</u>	<u>16,326</u>	<u>558,239</u>	<u>(1,390,407)</u>	<u>10,441,094</u>
Net cash provided (used) by operating activities	\$ <u>27,894,163</u>	\$ <u>(102,109)</u>	\$ <u>(6,699,299)</u>	\$ <u>(2,558,594)</u>	\$ <u>18,534,161</u>
Supplemental schedule of noncash investing, capital and financing activities:					
(Gain) loss on disposal of equipment	\$ <u>(56,858)</u>	\$ <u>-</u>	\$ <u>663</u>	\$ <u>-</u>	\$ <u>(56,195)</u>
Decrease in companion debt instrument	\$ <u>520,355</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>520,355</u>
Increase in deferred outflows (interest rate swap)	\$ <u>1,480,686</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,480,686</u>
Income from joint venture	\$ <u>218,497</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>218,497</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Statements of Cash Flows**

**Year ended June 30, 2011**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Receipts from and on behalf of patients	\$ 212,683,767	\$ -	\$ 11,835,905	\$ 224,519,672
Receipts from other operations	2,809,877	534,782	236,977	3,581,636
Payments to suppliers and contractors	(84,800,194)	(63,003)	(4,255,386)	(89,118,583)
Payments to or on behalf of employees	<u>(104,232,208)</u>	<u>(514,521)</u>	<u>(15,174,266)</u>	<u>(119,920,995)</u>
Net cash provided (used) by operating activities	<u>26,461,242</u>	<u>(42,742)</u>	<u>(7,356,770)</u>	<u>19,061,730</u>
<b>Cash flows from noncapital financing activities:</b>				
Receipts for nonoperating activities	67,039	139	3,246	70,424
Receipts from (payments to) primary enterprise and component units	<u>(8,264,992)</u>	<u>24,282</u>	<u>8,240,710</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(8,197,953)</u>	<u>24,421</u>	<u>8,243,956</u>	<u>70,424</u>
<b>Cash flows from capital and related financing activities:</b>				
Capital expenditures	(18,704,114)	-	(51,083)	(18,755,197)
Principal paid on bonds and notes payable	(1,935,757)	-	-	(1,935,757)
Interest paid (net of amount capitalized) on bonds and capital lease obligations	(3,479,400)	-	(3,577)	(3,482,977)
Proceeds from the issuance of debt	30,000,000	-	-	30,000,000
Capitalization of bond issue costs	(172,688)	-	-	(172,688)
Repayment of obligations under capital leases	<u>(25,733)</u>	<u>-</u>	<u>-</u>	<u>(25,733)</u>
Net cash provided (used) by capital and related financing activities	<u>5,682,308</u>	<u>-</u>	<u>(54,660)</u>	<u>5,627,648</u>
<b>Cash flows from investing activities:</b>				
Net decrease in investments	2,394,476	-	-	2,394,476
Income received from investments	299,485	-	-	299,485
Distributions from joint ventures	178,750	-	-	178,750
Net increase in assets limited as to use	<u>(27,190,755)</u>	<u>-</u>	<u>-</u>	<u>(27,190,755)</u>
Net cash used by investing activities	<u>(24,318,044)</u>	<u>-</u>	<u>-</u>	<u>(24,318,044)</u>
Net increase (decrease) in cash and cash equivalents	(372,447)	(18,321)	832,526	441,758
Cash and cash equivalents at beginning of year	<u>2,201,492</u>	<u>32,022</u>	<u>1,100</u>	<u>2,234,614</u>
Cash and cash equivalents at end of year	<u>\$ 1,829,045</u>	<u>\$ 13,701</u>	<u>\$ 833,626</u>	<u>\$ 2,676,372</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Statements of Cash Flows, Continued**

**Year ended June 30, 2011**

	<u>Hospital</u>	<u>Children's Center</u>	<u>CRMG</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:				
Income from operations	\$ 17,607,369	\$ (86,366)	\$ (7,386,588)	\$ 10,134,415
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation and amortization	11,722,850	26,508	77,343	11,826,701
Estimated provision for bad debts	17,214,624	-	890,861	18,105,485
Amortization of bond issuance costs	67,006	-	-	67,006
(Increase) decrease in cash due to changes in:				
Patient accounts receivable, net	(20,163,356)	-	(1,070,840)	(21,234,196)
Inventories	(533,783)	(2)	(1,590)	(535,375)
Prepaid expenses, other receivables, and other assets	(776,101)	21	56,721	(719,359)
Accounts payable	1,750,033	337	(39,521)	1,710,849
Accrued salaries and related liabilities	643,914	13,561	127,187	784,662
Other accrued expenses	611,387	3,199	(10,343)	604,243
Estimated third-party payor settlements	<u>(1,682,701)</u>	<u>-</u>	<u>-</u>	<u>(1,682,701)</u>
Total adjustments	<u>8,853,873</u>	<u>43,624</u>	<u>29,818</u>	<u>8,927,315</u>
Net cash provided (used) by operating activities	<u>\$ 26,461,242</u>	<u>\$ (42,742)</u>	<u>\$ (7,356,770)</u>	<u>\$ 19,061,730</u>
Supplemental schedule of noncash investing, capital and financing activities:				
Loss on disposal of equipment	<u>\$ 70,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,619</u>
Decrease in deferred compensation	<u>\$ 60,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,850</u>
Decrease in companion debt instrument	<u>\$ 530,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,497</u>
Increase in deferred outflows (interest rate swap)	<u>\$ 304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304</u>
Income from joint venture	<u>\$ 278,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,867</u>

See accompanying notes to the financial statements.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(1) Nature of operations**

Cookeville Regional Medical Center Authority (the "Authority") was established by a Private Act of the State of Tennessee legislature during 1999 for the purpose of operating Cookeville Regional Medical Center (the "Medical Center") and all other hospital, clinical and related healthcare facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of the Medical Center as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996 (the "Private Act"). The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City of Cookeville (the "City"), were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Authority consists of the Medical Center and its component units as disclosed below.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999 which specified the arrangements relative to the Private Act. The Private Act which created the Authority was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. In addition, approval of the Cookeville City Council is required for all borrowings and purchase of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Highland Rim Home Health Agency.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Notes to the Financial Statements**

**June 30, 2012 and 2011**

***Blended Component Units:*** The accompanying financial statements include the accounts of three blended component units at June 30, 2012 and two blended component units at June 30, 2011. The Cookeville Regional Medical Center ("CRMC") Children's Center (the "Children's Center") and Cookeville Regional Medical Group, Inc. (the "CRMG") are component units blended with the Medical Center as the governing bodies are essentially the same. Both entities began operations during the year ended June 30, 2005. The Children's Center was established to provide a quality early childhood program to employees of the Medical Center. The CRMG was established to provide physician services to the City and the surrounding areas. In January 2012, CRMC MSO Sub 1 ("MSO Sub 1") was established to provide cardiology services. The Cookeville Regional Medical Center, Children's Center, CRMG and MSO Sub 1 are collectively referred to as the "Medical Center" in the notes to the financial statements. In March 2012, the former CRMC MSO, Inc. (the "MSO") was formally renamed Cookeville Regional Medical Group ("CRMG").

**(2) Summary of significant accounting policies**

**(a) Basis of accounting**

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Medical Center has elected to apply all relevant pronouncements of the Financial Accounting Standards Board ("FASB") and predecessor standard setting organizations, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**(b) Cash and cash equivalents**

The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use and other amounts in short-term investment portfolios, to be cash equivalents. Cash and cash equivalents consist of amounts maintained in bank deposits and money market accounts which are insured by the Federal Deposit Insurance Corporation, state depository insurance funds or multiple financial institution collateral pools, or otherwise collateralized by securities held by the Medical Center or by its agents in the Medical Center's name. The fair value approximates cost due to the nature of the assets.

**(c) Inventories**

Inventories consist principally of medical and surgical supplies, general store supplies, pharmacy items and dietary foods and are stated at the lower of cost (first-in, first-out method) or net realizable value.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(d) Investments**

Investments consist of short-term repurchase agreements, certificates of deposit, mortgage-backed securities, and United States government obligations. These investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Medical Center generally holds its investments until maturity. The portion of investments related to financial instruments with maturities of less than one year is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the statements of revenue, expenses and changes in net assets as a component of investment income.

**(e) Assets limited as to use**

Assets limited as to use include cash and investments designated by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion use for other purposes.

**(f) Derivative instruments**

The Medical Center records all derivatives as assets or liabilities on the balance sheets at estimated fair value. The Medical Center's derivative holdings consist of interest rate swap agreements (Note 9). In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap agreement is considered effective, and is classified as a hedging derivative instrument. The changes in the interest rate swap's fair value are recorded on the balance sheet as deferred outflows. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

The Medical Center's objective in using derivatives is to manage the mix of fixed versus variable rate debt.

**(g) Property and equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 20 to 40 years for buildings, 5 to 20 years for land improvements and 3 to 20 years for furniture and equipment. Assets under capital leases are included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of \$5,000, except for computer software and hardware, which has a threshold of \$10,000. The Medical Center reviews the carrying values of long-lived assets if facts and circumstances indicate that recoverability may have been impaired. Costs of repairs and maintenance are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(h) Investment in joint venture**

Investment in a joint venture is accounted for under the equity method of accounting and the Medical Center recognizes its share in the results of the underlying activities of the joint venture.

**(i) Bond issuance costs**

Costs incurred in issuing bonds and bank loans are being amortized over the term of the related debt using the straight-line method.

**(j) Accrual for compensated absences**

The Medical Center recognizes an expense and accrues a liability for compensated future employee vacation and other absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holidays, vacation, and bereavement days to regular full-time employees. Paid days off are earned based on years of service. Additionally, the Medical Center maintains a separate sick pay benefit for all full-time employees who have met a six-month service requirement, which is included in the accrual for compensated absences. In the past, if an employee reached 55 and completed 5 years of service, one-half of the accumulated hours were paid out as a benefit upon retirement. During 2012, the Medical Center eliminated certain sick pay benefits. As a result, approximately \$708,000 was recognized in 2012 as income in the accompanying statements of revenues, expenses and changes in net assets.

**(k) Contributed resources**

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as other increases in net assets.

**(l) Net patient service revenue/receivables**

Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Current operations are charged with an estimated provision for bad debts based upon management's evaluation of collectibility. Such evaluation includes historical experience, aging of the receivables and other factors which affect the collectibility of the receivables. The estimated provision for bad debts is reported as a reduction in net patient service revenue.

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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

The Medical Center's policy does not require collateral or other security for patient accounts receivable. The Medical Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, TennCare, Blue Cross, health maintenance organizations and commercial insurance carriers.

**(m) Net assets**

Net assets of the Medical Center are classified in three components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. For 2012 and 2011, the net assets invested in capital assets, net of related debt excludes the \$10,235,074 and \$27,190,755, respectively, in debt currently held as assets limited as to use. *Restricted net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets, net of related debt or restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2012 and 2011, there were no permanently or temporarily restricted net assets.

**(n) Operating revenues and expenses**

The Medical Center's statements of revenue, expenses and changes in net assets distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services - the Medical Center's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

**(o) Charity care**

The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. These costs are based on the ratio of total costs to gross charges. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.



**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(p) Income taxes**

The Medical Center is classified as an organization exempt from federal income taxes as a quasi-municipal corporation and formerly as an enterprise fund of the City of Cookeville. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

**(q) Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(r) Performance indicator**

Excess of revenues over expenses reflected in the accompanying statements of revenues, expenses and changes in net assets is a performance indicator.

**(s) New accounting pronouncements**

In November 2010, accounting standards relating to the inclusion of component units in the financial reporting entity were amended to require inclusion if a financial benefit or burden is present or if the financial statements would be misleading if excluded. This also amended the criteria for reporting component units as if they are part of the primary government. These amendments are effective for financial statements for fiscal years beginning after June 15, 2012. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2013.

In December 2010, accounting standards relating to the application of FASB Statements that do not contradict GASB pronouncements were amended to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance and to bring all authoritative literature together in one place. These amendments are effective for financial statements for fiscal years beginning after December 15, 2011. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2013.

In March 2012, accounting standards relating to accounting for operating lease payments that vary from a straight-line basis were amended to clarify how to apply GASB Statement 13. These amendments are effective for financial statements for fiscal years beginning after December 15, 2012. Therefore the Medical Center expects to adopt these standards at the beginning of fiscal year 2014.

The Medical Center is currently assessing the impact of adopting these accounting standards.

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(t) Reclassifications**

Certain reclassifications have been made to the 2011 financial statements in order for them to conform to the 2012 presentation. These reclassifications have no effect on the net assets or the excess of revenues over expenses as previously reported.

**(u) Events occurring after reporting date**

The Medical Center has evaluated events and transactions that occurred between June 30, 2012 and October 26, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**(3) Net patient service revenue and patient accounts receivable**

A significant portion of the amount of services provided by the Medical Center is to patients whose bills are paid by third-party payors such as Medicare, TennCare, and private insurance carriers.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the statements of revenues, expenses and changes in net assets is as follows:

	<u>2012</u>	<u>2011</u>
Gross patient service charges	\$ 544,380,517	\$ 506,579,508
Less: Medicare contractual adjustments	(184,024,759)	(160,063,132)
TennCare contractual adjustments	(41,552,673)	(32,953,894)
Other contractual adjustments	(60,097,024)	(63,268,794)
Bad debts	(20,442,719)	(18,105,464)
Charity Care	<u>(3,035,087)</u>	<u>(2,857,140)</u>
Net patient service revenue	\$ <u>235,228,255</u>	\$ <u>229,331,084</u>

Net patient accounts receivable consists of the following:

	<u>2012</u>	<u>2011</u>
Medicare	\$ 14,173,397	\$ 11,525,504
TennCare	4,418,434	4,038,709
Blue Cross and commercial	10,657,825	10,459,412
Patients, including self-insured	<u>9,848,847</u>	<u>10,680,532</u>
	39,098,503	36,704,157
Less: allowance for uncollectible accounts	<u>(12,065,579)</u>	<u>(13,729,048)</u>
	\$ <u>27,032,924</u>	\$ <u>22,975,109</u>

**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(4) Third-party payor reimbursement programs**

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement has increased and is expected to increase in the future. No additional reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. In the opinion of management, any adjustments which may result from such audits and reviews will not have a material impact on the financial statements; however, due to the uncertainties involved, it is at least reasonably possible that management's estimates will change in the future. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately \$130,000,000 and \$20,000,000, respectively, in 2012 and approximately \$125,000,000 and \$22,000,000, respectively, in 2011.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase/(decrease) to revenue of approximately \$(1,018,000) and \$4,625,000 for the years ended June 30, 2012 and 2011, respectively.

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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningfully use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

As a result, the Medical Center recognized income for cash received of approximately \$770,000 from Medicaid in 2012. The Medical Center expects to meet the Medicare meaningful use criteria in 2013. The income is reported as other revenue on the accompanying statements of revenue, expenses and changes in net assets.

**(5) Investments and assets limited as to use**

The Medical Center's investments (including assets limited as to use) are reported at estimated fair value based on quoted market prices. The Medical Center invests in U.S. government agency securities, mortgage-backed securities, certificates of deposit, and short-term repurchase agreements that are in accordance with the Medical Center's investment policy.

The carrying amounts of deposits and investments included in the Medical Center's balance sheets are as follows:

	<u>2012</u>	<u>2011</u>
<b>Carrying amount:</b>		
Cash and cash equivalents	\$ 18,352,952	\$ 2,676,372
Investments	<u>36,857,610</u>	<u>64,351,858</u>
Total deposits and investments	<u>\$ 55,210,562</u>	<u>\$ 67,028,230</u>
	<u>2012</u>	<u>2011</u>
<b>Included in the following balance sheet captions:</b>		
Cash and cash equivalents	\$ 16,935,962	\$ 2,676,372
Short-term investments	5,473,333	21,489,805
Long-term investments	12,566,193	5,671,298
Assets internally designated for capital acquisition	10,000,000	10,000,000
Assets designated by bond indenture agreement	<u>10,235,074</u>	<u>27,190,755</u>
	<u>\$ 55,210,562</u>	<u>\$ 67,028,230</u>

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**Notes to the Financial Statements**

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**Interest rate risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Medical Center's investment policy limits the "average life" or repricing period of the portfolio as a whole to 5.5 years in order to minimize market value fluctuations.

The distribution of the Medical Center's investments and assets limited as to use by maturity as of June 30, 2012 is as follows:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
June 30, 2012					
Undesignated	\$ 18,039,526	\$ 5,473,333	\$ 3,192,608	\$ 2,297,364	\$ 7,076,221
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Assets designated by bond indenture agreement	10,235,074	10,235,074	-	-	-
Cash and cash equivalents	<u>16,935,962</u>	<u>16,935,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 55,210,562</u>	<u>\$ 42,644,369</u>	<u>\$ 3,192,608</u>	<u>\$ 2,297,364</u>	<u>\$ 7,076,221</u>

**Credit risk:** The Medical Center's investment policy requires that investments be made only in U.S. government securities, U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2012, the Medical Center had investments with quality ratings by nationally recognized rating agencies (i.e., Moody's Investor Service and Standard and Poor's Rating Agency).

**Custodial credit risk:** The Medical Center's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

**Concentration of credit risk:** The Medical Center places limits on the portfolio composition of the following investment types: U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. No more than \$1,500,000 may be invested in any one security. As of June 30, 2012 and 2011, the Medical Center's investments consist of mortgage-backed securities, all of which are issued by Federal National Mortgage Association, Government National Mortgage Association, or Federal Home Loan Mortgage Corporation, U.S. Treasury securities and certificates of deposit.

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Investment income for assets limited as to use and other investments is comprised of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Interest income and realized gain on investments	\$ 320,332	\$ 366,736
Unrealized gain (loss) on investments	<u>40,315</u>	<u>(21,966)</u>
	<u>\$ 360,647</u>	<u>\$ 344,770</u>

**(6) Property and equipment**

The Authority's rights to use of the capital assets of the Medical Center, which belong to the City of Cookeville, are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A summary of property and equipment and schedule of activity is as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2012</u>
Land	\$ 15,502,882	\$ 405,674	\$ -	\$ -	\$ 15,908,556
Land improvements	5,124,713	-	-	-	5,124,713
Building	162,710,679	109,593	-	1,721,854	164,542,126
Automobiles	180,122	-	-	-	180,122
Equipment	59,061,251	4,429,184	(1,018,810)	6,507,451	68,979,076
Equipment under capitalized leases	<u>5,441,584</u>	<u>-</u>	<u>(9,695)</u>	<u>-</u>	<u>5,431,889</u>
	248,021,231	4,944,451	(1,028,505)	8,229,305	260,166,482
Less: allowance for depreciation and amortization:					
Land improvements	1,870,927	231,606	-	-	2,102,533
Building	32,964,980	4,628,501	-	-	37,593,481
Automobiles	180,122	-	-	-	180,122
Equipment	47,002,918	7,142,831	(975,359)	-	53,170,390
Equipment under capitalized leases	<u>5,431,265</u>	<u>10,319</u>	<u>(9,695)</u>	<u>-</u>	<u>5,431,889</u>
	<u>87,450,212</u>	<u>12,013,257</u>	<u>(985,054)</u>	<u>-</u>	<u>98,478,415</u>
Construction in progress	<u>8,353,217</u>	<u>19,951,091</u>	<u>-</u>	<u>(8,229,305)</u>	<u>20,075,003</u>
	<u>\$ 168,924,236</u>	<u>\$ 12,882,285</u>	<u>\$ (43,451)</u>	<u>\$ -</u>	<u>\$ 181,763,070</u>

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**June 30, 2012 and 2011**

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2011</u>
Land	\$ 13,220,940	\$ 2,281,942	\$ -	\$ -	\$ 15,502,882
Land improvements	5,124,713	-	-	-	5,124,713
Building	156,700,102	1,894,475	(266,239)	4,382,341	162,710,679
Automobiles	180,122	-	-	-	180,122
Equipment	54,229,498	4,887,577	(2,320,104)	2,264,280	59,061,251
Equipment under capitalized leases	<u>5,441,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,441,584</u>
	234,896,959	9,063,994	(2,586,343)	6,646,621	248,021,231
Less: allowance for depreciation and amortization:					
Land improvements	1,638,458	232,469	-	-	1,870,927
Building	28,704,529	4,526,690	(266,239)	-	32,964,980
Automobiles	178,132	1,990	-	-	180,122
Equipment	42,249,245	7,003,158	(2,249,485)	-	47,002,918
Equipment under capitalized leases	<u>5,368,871</u>	<u>62,394</u>	<u>-</u>	<u>-</u>	<u>5,431,265</u>
	<u>78,139,235</u>	<u>11,826,701</u>	<u>(2,515,724)</u>	<u>-</u>	<u>87,450,212</u>
Construction in progress	<u>5,308,635</u>	<u>9,691,203</u>	<u>-</u>	<u>(6,646,621)</u>	<u>8,353,217</u>
	<u>\$ 162,066,359</u>	<u>\$ 6,928,496</u>	<u>\$ (70,619)</u>	<u>\$ -</u>	<u>\$ 168,924,236</u>

On July 1, 2011, the Medical Center acquired certain property and equipment from Sleep Solutions of Tennessee, LLC for \$250,000 and on January 1, 2012, the Medical Center acquired certain assets of Tennessee Heart, PLLC for approximately \$471,000.

Construction in progress at June 30, 2012 consists of construction on the expansion of the Medical Center's operating room, the emergency room, the outpatient imaging center, assets not yet placed in service, and various other construction projects. Estimated costs to complete the projects amount to approximately \$6,500,000 at June 30, 2012.

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**(7) Investment in joint venture**

During 2004, the Medical Center entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the "Surgery Center") which began operations during the year ended June 30, 2004. The Medical Center has a 50% interest in the venture. The Medical Center recognizes its equity in the income (loss) of the Surgery Center as part of other nonoperating revenue. Condensed financial information for the Surgery Center as of and for the years ended June 30, 2012 and 2011 is as follows (unaudited):

	<u>2012</u>	<u>2011</u>
Assets	\$ <u>2,702,000</u>	\$ <u>2,576,000</u>
Liabilities	\$ <u>1,223,000</u>	\$ <u>973,000</u>
Member's equity	<u>1,479,000</u>	<u>1,603,000</u>
	\$ <u>2,702,000</u>	\$ <u>2,576,000</u>
Medical Center's interest:		
Investment in joint ventures	\$ <u>863,000</u>	\$ <u>943,000</u>
Equity in earnings of joint ventures	\$ <u>218,000</u>	\$ <u>279,000</u>

**(8) Long-term debt**

The obligations of the Authority with respect to repayment of the City's debt related to the Medical Center facilities are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note 1. A schedule of changes in the Medical Center's bonds and notes payable is as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Series 2009 Bonds	\$ 29,430,000	\$ -	\$ (600,000)	\$ 28,830,000	\$ 630,000
Series 2010-A Bonds	12,346,870	-	(436,650)	11,910,220	466,470
Series 2010-B Bonds	16,648,130	-	(588,350)	16,059,780	628,530
Build America Bonds Series 2010	30,000,000	-	(680,000)	29,320,000	730,000
Companion Instrument (Note 9)	<u>2,745,821</u>	<u>-</u>	<u>(520,355)</u>	<u>2,225,466</u>	<u>509,527</u>
	\$ <u>91,170,821</u>	\$ <u>-</u>	\$ <u>(2,825,355)</u>	\$ <u>88,345,466</u>	\$ <u>2,964,527</u>



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**Notes to the Financial Statements**

**June 30, 2012 and 2011**

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts Due Within One Year
Series 2009 Bonds	\$ 30,000,000	\$ -	\$ (570,000)	\$ 29,430,000	\$ 600,000
Series 2010-A Bonds	12,775,000	-	(428,130)	12,346,870	436,650
Series 2010-B Bonds	17,225,000	-	(576,870)	16,648,130	588,350
Build America Bonds Series 2010	-	30,000,000	-	30,000,000	680,000
Companion Instrument (Note 9)	3,276,318	-	(530,497)	2,745,821	520,356
Note payable - 6%	<u>360,757</u>	<u>-</u>	<u>(360,757)</u>	<u>-</u>	<u>-</u>
	<u>\$ 63,637,075</u>	<u>\$ 30,000,000</u>	<u>\$ (2,466,254)</u>	<u>\$ 91,170,821</u>	<u>\$ 2,825,356</u>

During the year ended June 30, 2010, the Medical Center issued \$30,000,000 Revenue Refunding Bonds (the Series 2009 Bonds) in order to partially redeem the outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued \$12,775,000 Revenue Refunding Bonds (Series 2010-A) and \$17,225,000 Revenue Refunding Bonds (Series 2010-B) (collectively, the Series 2010 Bonds) in order to fully redeem or pay off the then-outstanding balance of the Series 2001 A-2, Series 2001 A-3, and Series 2006 Bonds. The Series 2009 Bonds and Series 2010 Bonds bear interest at a variable rate, equal to the sum of 65% of the sum of the 30-day London Inter-Bank Offering Rate ("LIBOR") plus 2%, plus .25%. The rate was 1.71% and 1.67% at June 30, 2012 and 2011, respectively. The interest rates on the Series 2009 Bonds and Series 2010 Bonds were effectively converted to fixed rates utilizing an interest rate swap agreement (Note 9).

The Series 2009 Bonds and Series 2010 Bonds are subject to prepayment, in whole or in part, for a prepayment price equal to the principal amount to be repaid plus interest accrued, without penalty. Any partial prepayment of the Series 2009 Bonds or Series 2010 Bonds must be made on a prorata basis, and applied to future scheduled principal payments in reverse chronological order.

The Medical Center also issued notes payable to finance certain property and equipment additions. The outstanding balance on the 6% note payable was paid in 2011.

During the year ended June 30, 2011, the Medical Center issued \$30,000,000 Build America Bonds Series 2010. The Build America Bonds bear interest at a variable rate, equal to the sum of the 30-day LIBOR plus 1.85%. The rate was 2.09% and 2.04% at June 30, 2012 and 2011, respectively. These Bonds also provide for a refundable tax credit paid to the Medical Center by the Treasury Department and the Internal Revenue Service ("IRS") in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements.

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**June 30, 2012 and 2011**

The debt service requirements at June 30, 2012 related to bonds and notes payable are as follows:

<u>Year</u>	<u>Principal Maturities or Sinking Fund Requirements</u>	<u>Interest</u>
2013	\$ 2,964,527	\$ 3,419,000
2014	3,152,286	3,309,000
2015	3,313,574	3,190,000
2016	3,436,251	3,066,000
2017	50,308,828	1,768,000
2018 - 2022	5,400,000	2,395,000
2023 - 2027	6,710,000	1,754,000
2028 - 2032	8,250,000	962,000
2033 - 2035	<u>4,810,000</u>	<u>135,000</u>
	<u>\$ 88,345,466</u>	<u>\$ 19,998,000</u>

Interest amounts for the Series 2009 Bonds and Series 2010 Bonds included in the table above are based on current rates in effect at June 30, 2012 and the effect of the interest rate swap agreement (Note 9).

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. Management has concluded that the Medical Center is in compliance with all such covenants at June 30, 2012.

**(9) Derivative instruments**

During 2010, the Medical Center entered into a pay fixed/receive floating interest rate swap transaction with a \$60,000,000 notional amount. The interest rate swap was entered as a cash flow hedge to manage the interest rate risk associated with the Medical Center's Series 2009 Bonds and Series 2010 Bonds (Note 8). As a part of this transaction, the Medical Center received an up-front payment of \$3,410,000 in the form of a borrowing from the counterparty, which was used to terminate interest rate swaps previously held. As a result, the fixed rate on the interest rate swap was adjusted to account for this borrowing. This off-market interest rate swap is therefore considered a hybrid instrument, composed of the borrowing (the "Companion Instrument") and an interest rate swap. The Companion Instrument is recorded as debt for financial reporting purposes at its amortized historical cost (Note 8). Amortization of the Companion Instrument is reported as a reduction of interest expense in the financial statements.

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Through a Novation Agreement, the rights and obligations for \$20,000,000 of the \$60,000,000 notional amount were transferred to a second counterparty.

A summary of the interest rate swap is as follows:

Variable rate payers:	Fifth Third Bank First Tennessee Bank, N.A.
Term:	March 1, 2010 - December 30, 2016
Fixed rate:	3.43%
Variable rate:	65% of USD-LIBOR-BBA

This interest rate swap agreement was determined to be effective by utilizing an approved method as outlined in GASB Statement No. 53. The third party valuation of the swap value was a liability of \$4,934,572 and \$3,453,886 as of June 30, 2012 and 2011, respectively, and was accounted for in the balance sheet with the proper offsetting deferred outflow in accordance with GASB statement No. 53.

*Credit risk:* As described above, the Medical Center's interest rate swap is held by Fifth Third Bank and First Tennessee Bank, N.A. The credit rating for each of these counterparties was Baa1 (Moody's) at June 30, 2012.

*Termination risk:* The Medical Center or its counterparties may terminate the interest rate swap agreement if the other party fails to perform under the terms of the contract. If at the time of termination a derivative instrument is in a liability position, the Medical Center would be liable to the counterparties for a payment equal to the liability.

*Rollover risk:* The Medical Center is exposed to rollover risk on the interest rate swap. If the swap terminates prior to the maturity of the debt, the Medical Center will be re-exposed to the risks being hedged by the interest rate swap.

Net receipts and payments on the interest rate swap are presented in Note 8 with the Medical Center's aggregate debt service requirements.

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**(10) Leases**

The Medical Center leases equipment and office space under capital and operating lease agreements. Future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2012 are as follows:

<u>Year</u>	<u>Operating Leases</u>
2013	\$ 698,396
2014	513,454
2015	328,418
2016	301,212
2017	169,677
2018 and later years	<u>88,021</u>
Total future minimum lease payments	\$ <u>2,099,178</u>

Total rental expense was \$1,560,863 and \$1,375,096 for the years ended June 30, 2012 and 2011, respectively.

A schedule of changes in the Medical Center's capital leases is as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 14,130	\$ 39,863
Reductions	<u>(14,130)</u>	<u>(25,733)</u>
Balance at end of year	\$ <u>-</u>	\$ <u>14,130</u>
Current portion of capital lease obligations	\$ <u>-</u>	\$ <u>14,130</u>

**(11) Pension plans**

Employees of the Medical Center are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after 5 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Medical Center participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

The Medical Center is a political subdivision of the City. The Medical Center's funding policy and schedule of pension plan funding progress have not been included within the financial statements as these amounts are aggregated with the City. The City of Cookeville Annual Financial Report should be read to obtain the aggregated information related to funding policy and schedule of pension plan funding progress. For the years ended June 30, 2012 and 2011, the Medical Center's annual pension costs were approximately \$3,910,000 and \$4,100,000, respectively.

Prior to July 1, 2006, the Medical Center offered one retirement option, the PSPP. Effective July 1, 2006, the Medical Center offered two retirement options to those employees who were hired on or before June 30, 2006, the PSPP and a 401(k) noncontributory plan. The Medical Center ceased to offer the PSPP for employees hired by the Medical Center on or after July 1, 2006. Those employees that were hired by the Medical Center on or before June 30, 2006, were given a choice to continue participation in the PSPP or begin participating in the new noncontributory retirement plan in which the Medical Center contributes up to 7.0% of annual covered payroll.

Additionally, the Medical Center offers its employees participation in a 401(k) Profit Sharing Plan. The Plan administrator maintains the records of the trust which holds all investments of the Plan. The Plan is a defined contribution plan covering all employees who have completed six months of service.

The Medical Center's contributions to the 401(k) noncontributory and profit sharing plans for the years ended June 30, 2012 and 2011 were \$1,929,758 and \$1,729,104, respectively.

**(12) Other receivables**

Other current and long-term receivables at June 30, 2012 and 2011 include \$803,382 and \$1,429,633, respectively, in receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments.

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**(13) Commitments and contingencies**

**Insurance**

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of counsel for the Medical Center, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act (\$300,000 for bodily injury or death of any one person and \$700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

During 2003, the Medical Center became self-insured due to the fact that their professional liability carrier became insolvent. There are known incidents occurring through June 30, 2012 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims as the Medical Center is not able to estimate such amounts.

Compliance with such laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers annual health claims in excess of \$160,000 per employee with an unlimited lifetime reimbursement. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was \$1,630,155 and \$1,380,144 at June 30, 2012 and 2011, respectively. Total expenses under this program amounted to approximately \$9,800,000 and \$8,850,000 for the years ended June 30, 2012 and 2011, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of \$500,000 per case up to an aggregate of approximately \$1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2012 and 2011, approximately \$1,225,000 and \$1,151,000, respectively, was accrued and included in other accrued expense on the balance sheets for estimated claims incurred but not reported.

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**Physician Employment Commitments**

During 2012 certain physicians were offered employment agreements with the Medical Center. Under such agreements, the Medical Center is required to pay annual compensation to these physicians. These agreements are typically for 5 years. Future minimum compensation commitments under employment agreements at June 30, 2012, are as follows:

<u>Year</u>	
2013	\$ 2,920,000
2014	2,950,000
2015	2,950,000
2016	2,630,000
2017	<u>1,300,000</u>
	<u>\$ 12,750,000</u>

**Healthcare Industry**

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and, most recently under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC audit at this time.

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**Healthcare Reform**

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Medical Center's operations.

**(14) Related party transactions**

Other related party transactions with the City of Cookeville include payments in lieu of taxes of \$700,000 during each of the years ended June 30, 2012 and 2011 and contributions of \$560,391 during the year ended June 30, 2012. Operating expenses also include \$3,558,735 and \$3,489,280 in 2012 and 2011, respectively, for the purchase of utilities.

**(15) Fair value measurements**

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3).

**(a) Financial assets**

The carrying amount of financial assets, consisting of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current portions of long-term debt and capital lease obligations approximate their fair value due to their relatively short maturities. Long-term debt and capital lease obligations are carried at amortized cost, which approximates fair value. While approximately \$13,850,000 and \$14,500,000 of the Medical Center's investments and assets whose use is limited are cash equivalents as of June 30, 2012 and 2011, respectively, the Medical Center has approximately \$14,200,000 and \$22,700,000 in certificates of deposit and mortgage backed securities as of June 30, 2012 and 2011, respectively, that would be classified as Level 2 under the hierarchy in the preceding paragraph.



**COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY  
(COOKEVILLE REGIONAL MEDICAL CENTER AND AFFILIATES)**

**Notes to the Financial Statements**

**June 30, 2012 and 2011**

**(b) Non-financial assets**

The Medical Center's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Medical Center is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2012 and 2011, there were no triggering events that prompted an asset impairment test of the Medical Center's non-financial assets. Interest rate swaps are considered Level 3 fair value measurements. The estimated fair value of the interest rate swap liability as of June 30, 2012 and 2011 was \$4,934,572 and \$3,453,886, respectively. The interest rate swap liability increased by \$1,480,686 and \$304 during June 30, 2012 and 2011, respectively, and is reflected in the accompanying financial statements. See Note 9.

**(16) Functional expenses**

The following is a summary of management's functional classification of operating expenses:

	<u>2012</u>	<u>2011</u>
Healthcare services	\$ 167,805,656	\$ 162,408,751
General and administrative	<u>63,939,461</u>	<u>60,369,554</u>
	<u>\$ 231,745,117</u>	<u>\$ 222,778,305</u>

**(17) Subsequent event**

In August 2012, the Medical Center purchased certain assets and liabilities of Cumberland River Hospital, Inc. for total consideration of \$6,275,995 in cash. The Medical Center also paid approximately \$26,000 in direct costs associated with the transaction. This transaction has been accounted for as an acquisition and, accordingly, the purchase price was allocated to the assets and liabilities acquired, based upon the fair value of the assets and liabilities at the date of acquisition, as follows:

Cash	\$ 241,997
Patient receivables	1,472,108
Other receivables	9,901
Prepaid expenses	73,874
Inventories	153,517
Meaningful use funds receivable, net	2,774,783
Property and equipment	3,929,217
Accounts payable and accrued expenses	(2,128,587)
Capital lease obligation	<u>(250,815)</u>
	<u>\$ 6,275,995</u>

The asset purchase agreement includes a ninety day working capital settlement. Management is currently in negotiations with the sellers regarding the working capital settlement and does not expect the settlement to result in a material adjustment to the purchase price allocation.



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**The Board of Trustees of  
Cookeville Regional Medical Center Authority  
Cookeville, Tennessee:**

We have audited the financial statements of the business-type activities and each major fund of Cookeville Regional Medical Center Authority (Cookeville Regional Medical Center and Affiliates) (the "Medical Center") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medical Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the Medical Center in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Tennessee Comptroller of the Treasury, Department of Audit and is not intended to be and should not be used by anyone other than these specified parties.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
October 26, 2012

**TAB 24**

**Cookeville Regional Medical Center  
Operating and Utilization Statistics**

**MARCH 2013**

MARCH 2013										
Financial Indicators	CURRENT MONTH				YEAR-TO-DATE					
	Actual	Prior Year	Budget	Prior Year Variance Percent	Budget Variance Percent	Actual	Prior Year	Budget	Prior Year Variance Percent	
INPATIENT ADMISSION	1,038	1,099	1,261	-5.55%	-17.69%	9,530	10,026	11,505	-4.95%	-17.17%
ADJUSTED ADMISSION (AA)	2,151	2,186	2,446	-1.59%	-12.05%	19,365	18,981	22,118	2.03%	-12.44%
INPATIENT CENSUS	5,037	5,264	5,361	-4.31%	-6.04%	44,989	46,075	47,403	-2.36%	-5.09%
AVERAGE LENGTH OF STAY (ALOS)	4.85	4.79	4.25	1.31%	14.15%	4.72	4.60	4.12	2.72%	14.58%
AVERAGE DAILY CENSUS (ADC)	162	170	173	-4.31%	-6.04%	164	168	173	-2.36%	-5.09%
SURGICAL CASES	613	639	642	-4.07%	-4.52%	5,742	5,921	5,949	-3.02%	-3.48%
OUTPATIENT VISITS	11,985	11,989	9,463	-0.03%	26.65%	107,344	105,483	82,284	1.76%	30.46%
EMERGENCY & CLINIC VISITS	4,283	4,232	4,055	1.21%	5.61%	38,166	37,018	37,737	3.10%	1.14%
HOME HEALTH ADMITS	28	41	40	-31.71%	-30.00%	334	334	360	0.00%	-7.22%
DELIVERIES	130	136	135	-4.41%	-3.70%	1,206	1,160	1,171	3.97%	2.99%
CATH LAB CASES	220	289	257	-23.88%	-14.40%	2,318	2,255	2,323	2.79%	-0.22%
TOTAL CASE MIX INDEX	1.58	1.49		5.85%		1.60	1.42		12.86%	
OPERATING REVENUE % GROSS REVENUE	49.45	46.84	47.97	5.56%	3.08%	48.04	48.61	48.23	-1.18%	-0.39%
NET REVENUE/AA	9,326.41	9,208.81	9,263.04	1.28%	0.68%	9,312.78	9,488.67	9,156.89	-1.85%	1.70%
CONTRACTUALS % PATIENT REVENUE	52.38	52.26	51.61	0.23%	1.49%	52.80	50.95	51.33	3.64%	2.86%
NET DAYS IN AR	40.52	52.66		-23.06%		40.52	52.66		-23.06%	
MEDICARE % OF ADMISSIONS	60.79	60.51		0.46%		59.85	58.72		1.93%	
TENNCARE % OF ADMISSIONS	14.45	13.10		10.29%		15.48	13.19		17.38%	
MEDICARE CASE MIX INDEX	1.73	1.70		1.42%		1.72	1.65		4.43%	
MEDICARE ALOS	5.55	5.35		3.67%		5.24	5.32		-1.44%	
HOSPITAL BASED FTES	1,697	1,635	1,672	3.79%	1.45%	1,657	1,645	1,682	0.72%	-1.47%
CONTRACT LABOR FTES	34	37	-	-8.52%	100.00%	33	36	-	-7.80%	100.00%
TOTAL FTES	1,730	1,671	1,672	3.52%	3.46%	1,690	1,681	1,682	0.54%	0.52%
TOTAL MANHOURS	306,259	295,847	296,007	3.52%	3.46%	2,643,533	2,629,433	2,629,911	0.54%	0.52%
EMPLOYEES PER OCCUPIED BED (EEOB)	4.92	4.62	5.75	6.56%	-14.45%	4.85	5.00	5.75	-3.07%	-15.64%
MANHOURS/APD	28.09	26.36	28.47	6.56%	-1.35%	27.69	28.56	28.86	-3.07%	-4.06%
MANHOURS/AA	142.38	135.36	121.03	5.19%	17.64%	136.51	138.53	118.90	-1.46%	14.80%
SALARY DOLLARS	7,598,752	7,201,796	8,577,727	5.51%	-11.41%	64,762,274	65,950,815	76,066,367	-1.80%	-14.89%
BENEFIT DOLLARS	1,915,984	1,725,178	1,996,906	11.06%	-4.05%	15,294,047	15,765,291	17,734,140	-2.99%	-13.76%
SALARY & BENEFITS % OPERATING REVENUE	45.56	43.42	46.00	4.94%	-0.95%	42.86	44.65	45.67	-4.02%	-6.15%
SALARY & BENEFITS/AA	4,423.55	4,084.44	4,323.84	8.30%	2.31%	4,133.99	4,305.21	4,242.31	-3.98%	-2.55%
SUPPLY EXPENSE % OPERATING REVENUE	19.68	22.80	19.00	-13.69%	3.59%	21.56	21.30	19.00	1.22%	13.45%
SUPPLY EXPENSE /AA	1,910.93	2,145.38	1,950.00	-10.93%	-2.00%	2,079.32	2,053.29	1,950.00	1.27%	6.63%
BAD DEBTS % OPERATING REVENUE	6.29	7.54	7.95	-16.56%	-20.87%	8.37	7.80	8.01	7.29%	4.47%
OPERATING EXPENSES % OPERATING REVENUE	92.05	92.89	95.04	-0.91%	-3.15%	92.63	94.82	95.32	-2.30%	-2.82%
OPERATING EXPENSES / AA	8,937.05	8,738.67	8,933.69	2.27%	0.04%	8,935.62	9,142.14	8,855.54	-2.26%	0.90%
CASH % NET REVENUE, 60 DAYS PRIOR	0.88	0.94		-6.69%		0.88				
THE RATIO	0.92	(0.09)		1106.91%		2.35	(1.68)		240.09%	
OPERATING MARGIN	8.28	7.26	5.03	13.95%	64.48%	7.63	5.27	4.74	44.85%	60.83%

**C.10 ECONOMIC FEASIBILITY**

**COOKEVILLE REGIONAL MEDICAL CENTER  
COMPARATIVE BALANCE SHEET  
March 31, 2013**

	<b>CURRENT MONTH</b>	<b>PREVIOUS MONTH</b>	<b>% CHANGE</b>
<b>CURRENT ASSETS</b>			
CASH ON HAND AND IN BANK	\$11,531,985	\$8,974,599	28%
MEDICAL STAFF FUND CASH	2,611	2,610	0%
TEMPORARY INVESTMENTS	20,940,665	20,941,291	0%
TEMPORARY INVESTMENTS-RESTRICTED	10,000,000	10,000,000	0%
2010 BUILD AMERICA BONDS CAPITAL FUNDS	7,608,681	8,752,056	-13%
<b>TOTAL CASH</b>	<b>\$50,083,942</b>	<b>\$48,670,556</b>	<b>3%</b>
<b>ACCOUNTS RECEIVABLE</b>	<b>41,814,871</b>	<b>44,201,664</b>	<b>-5%</b>
LESS: RESERVE FOR UNCOLLECTABLES	(23,903,959)	(26,135,669)	-9%
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>\$17,910,912</b>	<b>\$18,065,995</b>	<b>-1%</b>
<b>INVENTORIES</b>	<b>6,476,895</b>	<b>6,578,373</b>	<b>-2%</b>
PREPAID EXPENSES	2,865,781	2,590,020	11%
OTHER ASSETS	25,951,040	25,355,516	2%
<b>TOTAL CURRENT ASSETS</b>	<b>\$103,288,570</b>	<b>\$101,260,460</b>	<b>2%</b>
<b>FIXED ASSETS</b>			
LAND	21,033,269	21,033,269	0%
BUILDING	187,124,421	186,373,571	0%
EQUIPMENT	73,816,360	73,449,343	0%
LEASED EQUIPMENT-CAPITAL LEASE	5,431,889	5,431,889	0%
LESS: ACCUMULATED DEPRECIATION	(106,992,991)	(106,026,640)	1%
<b>TOTAL FIXED ASSETS</b>	<b>\$180,412,948</b>	<b>\$180,261,432</b>	<b>0%</b>
<b>BOND ISSUE COSTS</b>	<b>391,431</b>	<b>397,265</b>	<b>-1%</b>
DEFERRED OUTFLOWS INTEREST RATE SWAP	4,933,532	4,934,572	0%
LONG-TERM RECEIVABLES	1,351,832	1,330,455	2%
OTHER ASSETS	(11,570,230)	(10,356,376)	12%
<b>TOTAL ASSETS</b>	<b>\$278,808,083</b>	<b>\$277,827,808</b>	<b>0%</b>
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	4,615,678	4,036,586	14%
MEDICAL STAFF FUND	2,574	2,574	0%
CURRENT PORTION OF LONG-TERM DEBT	2,455,000	2,455,000	0%
SALARIES, WAGES, & FEES PAYABLE	7,248,139	6,417,303	13%
OTHER LIABILITIES	4,930,685	4,863,478	1%
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$19,252,076</b>	<b>\$17,774,941</b>	<b>8%</b>
<b>LONG-TERM LIABILITIES</b>			
REVENUE BONDS PAYABLE	88,735,038	89,635,038	-1%
<b>TOTAL LONG TERM LIABILITIES</b>	<b>\$88,735,038</b>	<b>\$89,635,038</b>	<b>-1%</b>
<b>TOTAL LIABILITIES</b>	<b>\$107,987,114</b>	<b>\$107,409,979</b>	<b>1%</b>
<b>CAPITAL</b>			
CONTRIBUTED CAPITAL	5,415,553	5,415,553	0%
RETAINED EARNINGS	160,558,146	160,556,146	0%
NET INCOME YEAR-TO DATE	4,849,269	4,446,130	9%
<b>TOTAL CAPITAL</b>	<b>\$170,820,968</b>	<b>\$170,417,829</b>	<b>0%</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>\$278,808,082</b>	<b>\$277,827,808</b>	<b>0%</b>

# COOKEVILLE REGIONAL MEDICAL CENTER

## INCOME STATEMENT

FOR THE MONTH ENDED MARCH 31, 2013

	THIS YEAR	% E/R	LAST YEAR	% E/R	BUDGET	% E/R	% TY/LY	% TY/BUD
<b>GROSS PATIENT SERVICE REVENUE:</b>								
TOTAL INPATIENT SERVICES	\$20,381,297		\$22,070,894		\$24,712,277		-8%	-18%
TOTAL OUTPATIENT SERVICES	21,852,529		21,821,944		23,210,904		0%	-6%
<b>TOTAL GROSS PATIENT REVENUE</b>	<b>\$42,233,826</b>		<b>\$43,892,838</b>		<b>\$47,923,181</b>		<b>-4%</b>	<b>-12%</b>
<b>DEDUCTIONS FROM REVENUE:</b>								
CONTRACTUAL ADJUSTMENTS	\$22,121,126		\$22,936,805		\$24,731,971		-4%	-11%
CHARITY CARE	52,255		829,219		536,963		-94%	-90%
<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>\$22,173,381</b>		<b>\$23,766,024</b>		<b>\$25,268,934</b>		<b>-7%</b>	<b>-12%</b>
<b>NET PATIENT SERVICE REVENUE</b>	<b>\$20,060,445</b>		<b>\$20,126,814</b>		<b>\$22,654,247</b>		<b>0%</b>	<b>-11%</b>
<b>OTHER NON-PATIENT REVENUE</b>	<b>823,026</b>		<b>434,448</b>		<b>334,618</b>		<b>89%</b>	<b>146%</b>
<b>TOTAL OPERATING REVENUE</b>	<b>\$20,883,471</b>	<b>100%</b>	<b>\$20,561,262</b>	<b>100%</b>	<b>\$22,988,865</b>	<b>100%</b>	<b>2%</b>	<b>-9%</b>
<b>EXPENSES:</b>								
SALARIES AND WAGES	\$7,598,752	36%	\$7,201,796	35%	\$8,577,727	37%	6%	-11%
EMPLOYEE BENEFITS	1,915,984	9%	1,725,178	8%	1,996,906	9%	11%	-4%
CONTRACT LABOR	499,451	2%	477,744	2%	534,391	2%	5%	-7%
PURCHASED SERVICES-PHYSICIAN	332,765	2%	408,773	2%	177,749	1%	-19%	87%
PURCHASED SERVICES-OTHER	680,221	3%	603,788	3%	743,748	3%	13%	-9%
SUPPLIES	4,110,269	20%	4,688,946	23%	4,950,365	22%	-12%	-17%
UTILITIES	272,173	1%	190,869	1%	352,107	2%	43%	-23%
REPAIRS AND MAINTENANCE	538,709	3%	529,538	3%	607,762	3%	2%	-11%
LEASES AND RENTALS	96,452	0%	93,153	0%	94,504	0%	4%	2%
INSURANCE	76,662	0%	83,354	0%	95,844	0%	-8%	-20%
INTEREST	302,089	1%	311,593	2%	276,032	1%	-3%	9%
BAD DEBTS	1,314,178	6%	1,550,627	8%	1,828,131	8%	-15%	-28%
DEPRECIATION AND AMORTIZATION	956,409	5%	952,047	5%	1,159,265	5%	0%	-17%
OTHER EXPENSE	528,836	3%	281,859	1%	454,221	2%	88%	16%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$19,222,950</b>	<b>92%</b>	<b>\$19,099,265</b>	<b>93%</b>	<b>\$21,848,752</b>	<b>95%</b>	<b>1%</b>	<b>-12%</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$1,660,521</b>	<b>8%</b>	<b>\$1,461,997</b>	<b>7%</b>	<b>\$1,140,113</b>	<b>5%</b>	<b>14%</b>	<b>46%</b>
<b>NON-OPERATING INCOME &amp; EXPENSES:</b>								
INTEREST AND CONTRIBUTIONS	9,628	0%	2,402	0%	21,243	0%	301%	-55%
CONTRIBUTED CAPITAL	5,101	0%	0	0%	0	0%	0%	0%
PAYMENTS IN LIEU OF TAXES	(58,333)	0%	(58,333)	0%	(59,482)	0%	0%	2%
GAIN/LOSS INVESTMENTS/DISPOSALS	75	0%	0	0%	0	0%	0%	100%
GAIN/LOSS OTHER CORPS/JOINT VENTURE	(1,213,854)	-6%	(916,468)	-4%	(542,615)	-2%	-32%	-69%
<b>NET INCOME</b>	<b>\$403,138</b>	<b>2%</b>	<b>\$489,598</b>	<b>2%</b>	<b>\$559,259</b>	<b>2%</b>	<b>-18%</b>	<b>-28%</b>

# **COOKEVILLE REGIONAL MEDICAL CENTER**

## **INCOME STATEMENT**

**FOR THE NINE MONTHS ENDED MARCH 31, 2013**

	THIS YEAR	% E/R	LAST YEAR	% E/R	BUDGET	% E/R	% TY/LY	% TY/BUD
<b>GROSS PATIENT SERVICE REVENUE:</b>								
TOTAL INPATIENT SERVICES	\$191,360,448		\$198,849,333		\$221,629,736		-4%	-14%
TOTAL OUTPATIENT SERVICES	197,492,169		177,602,617		204,435,744		11%	-3%
<b>TOTAL GROSS PATIENT REVENUE</b>	<b>\$388,852,617</b>		<b>\$376,451,950</b>		<b>\$426,065,480</b>		<b>3%</b>	<b>-9%</b>
<b>DEDUCTIONS FROM REVENUE:</b>								
CONTRACTUAL ADJUSTMENTS	\$205,314,830		\$191,785,296		\$218,702,735		7%	-6%
CHARITY CARE	3,192,293		4,564,611		4,832,665		-30%	-34%
<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>\$208,507,123</b>		<b>\$196,349,907</b>		<b>\$223,535,400</b>		<b>6%</b>	<b>-7%</b>
<b>NET PATIENT SERVICE REVENUE</b>	<b>\$180,345,494</b>		<b>\$180,102,043</b>		<b>\$202,530,080</b>		<b>0%</b>	<b>-11%</b>
<b>OTHER NON-PATIENT REVENUE</b>	<b>6,454,062</b>		<b>2,907,492</b>		<b>2,941,477</b>		<b>122%</b>	<b>119%</b>
<b>TOTAL OPERATING REVENUE</b>	<b>\$186,799,556</b>	<b>100%</b>	<b>\$183,009,535</b>	<b>100%</b>	<b>\$205,471,557</b>	<b>100%</b>	<b>2%</b>	<b>-9%</b>
<b>EXPENSES:</b>								
SALARIES AND WAGES	\$64,762,274	35%	\$65,950,815	36%	\$76,096,367	37%	-2%	-15%
EMPLOYEE BENEFITS	15,294,047	8%	15,765,291	9%	17,734,140	9%	-3%	-14%
CONTRACT LABOR	3,822,403	2%	4,170,088	2%	4,766,120	2%	-8%	-20%
PURCHASED SERVICES-PHYSICIAN	3,010,491	2%	5,077,882	3%	1,543,892	1%	-41%	95%
PURCHASED SERVICES-OTHER	5,879,271	3%	5,581,503	3%	7,676,989	4%	5%	-23%
SUPPLIES	40,266,747	22%	38,972,938	21%	44,451,104	22%	3%	-9%
UTILITIES	2,645,444	1%	2,599,797	1%	3,119,523	2%	2%	-15%
REPAIRS AND MAINTENANCE	5,456,935	3%	4,694,661	3%	5,392,187	3%	16%	1%
LEASES AND RENTALS	845,921	0%	750,688	0%	851,551	0%	13%	-1%
INSURANCE	741,435	0%	737,003	0%	846,644	0%	1%	-12%
INTEREST	2,539,180	1%	2,571,561	1%	2,439,063	1%	-1%	4%
BAD DEBTS	15,625,913	8%	14,268,058	8%	16,453,176	8%	10%	-5%
DEPRECIATION AND AMORTIZATION	8,788,926	5%	8,788,361	5%	10,137,307	5%	0%	-13%
OTHER EXPENSE	3,362,578	2%	3,595,889	2%	4,356,798	2%	-6%	-23%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$173,041,565</b>	<b>93%</b>	<b>\$173,524,535</b>	<b>95%</b>	<b>\$195,864,861</b>	<b>95%</b>	<b>0%</b>	<b>-12%</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$13,757,991</b>	<b>7%</b>	<b>\$9,485,000</b>	<b>5%</b>	<b>\$9,606,696</b>	<b>5%</b>	<b>45%</b>	<b>43%</b>
<b>NON-OPERATING INCOME &amp; EXPENSES:</b>								
INTEREST AND CONTRIBUTIONS	40,969	0%	153,483	0%	187,708	0%	-73%	-78%
CONTRIBUTED CAPITAL	64,331	0%	0	0%	0	0%	0%	0%
PAYMENTS IN LIEU OF TAXES	(525,000)	0%	(525,000)	0%	(525,588)	0%	0%	0%
GAIN/LOSS INVESTMENTS/DISPOSALS	156,267	0%	85,009	0%	0	0%	84%	100%
GAIN/LOSS OTHER CORPS/JOINT VENTURE	(8,645,292)	-5%	(5,328,200)	-3%	(4,796,016)	-2%	-62%	-11%
<b>NET INCOME</b>	<b>\$4,849,266</b>	<b>3%</b>	<b>\$3,870,292</b>	<b>2%</b>	<b>\$4,472,800</b>	<b>2%</b>	<b>25%</b>	<b>8%</b>



**COOKEVILLE REGIONAL MEDICAL CENTER**  
**STATEMENT OF CASH FLOWS**  
**For the Nine Months Ending March 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

NET INCOME YEAR-TO-DATE		\$4,849,268
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED FROM OPERATIONS:		
DEPRECIATION AND AMORTIZATION	\$8,862,449	
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	(1,530,977)	
CHANGE IN PATIENT A/R & THIRD PARTY SETTLEMENTS	3,135,176	
CHANGE IN OTHER ASSETS	(7,541,986)	
CHANGE IN INVENTORIES	(339,345)	
CHANGE IN PREPAID EXPENSES	(462,741)	
CHANGE IN ACCOUNTS PAYABLE	(3,509,920)	
CHANGE IN ACCRUED SALARIES, INTEREST, OTHER	2,917,901	
	<u>2,917,901</u>	
TOTAL ADJUSTMENTS TO NET INCOME		<u>\$1,530,557</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$6,379,825

**CASH FLOWS FROM INVESTING ACTIVITIES**

IMPROVEMENTS TO BUILDING AND FIXED EQUIPMENT	(5,947,387)	
ADDITIONS TO MOVABLE EQUIPMENT	(2,632,649)	
	<u>(8,580,036)</u>	
NET CASH USED BY INVESTING ACTIVITIES		(\$8,580,036)

**CASH FLOWS FROM FINANCING ACTIVITIES**

CHANGE IN LONG-TERM RECEIVABLES	(472,299)	
CHANGE IN BONDS	(2,089,998)	
	<u>(2,562,297)</u>	
NET CASH USED BY FINANCING ACTIVITIES		(\$2,562,297)

NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	(\$4,762,508)
---	---------------

CASH & TEMPORARY INVESTMENTS AT 6/30/12	<u>\$54,846,450</u>
CASH & TEMPORARY INVESTMENTS AT MONTH END	<u><u>\$50,083,942</u></u>

**TAB 25**

**Cookeville  
Regional Medical Center**  
Cookeville, TN

has been Accredited by



**The Joint Commission**

Which has surveyed this organization and found it to meet the requirements for the

**Hospital Accreditation Program**

September 3, 2011

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP  
Chair, Board of Commissioners

Organization ID #: 7821  
Print/Reprint Date: 11/16/11

Mark R. Chassin, MD, FACP, MPP, MPH  
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at [www.jointcommission.org](http://www.jointcommission.org).



This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.

**TAB 26**

# Board for Licensing Health Care Facilities

State of Tennessee



No. of Beds 0000000095  
0247

## DEPARTMENT OF HEALTH

*This is to certify, that a license is hereby granted by the State Department of Health to*

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY

*to conduct and maintain a*

*Hospital*

COOKEVILLE REGIONAL MEDICAL CENTER

*Located at*

1 MEDICAL CENTER BOULEVARD, COOKEVILLE

*County of*

PUTNAM

, Tennessee.

*This license shall expire* MAY 06, 2014, *and is subject*

*to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued hereunder.*

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 6TH *day of* MAY, 2013.  
*In the District Category(ies) of:* GENERAL HOSPITAL  
PEDIATRIC PRIMARY HOSPITAL



*By* James J. Davis, MPH  
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

*By* John J. Davis  
COMMISSIONER

**TAB 27**

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53195	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING B. WING _____		(X3) DATE SURVEY COMPLETED  03/21/2007
NAME OF PROVIDER OR SUPPLIER  COOKEVILLE REGIONAL MEDICAL CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 142 W 5TH ST COOKEVILLE, TN 38501		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 872	1200-8-1-.08 (2) Building Standards  (2) The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured.  This Statute is not met as evidenced by: Surveyor: 16862 Based on inspection and observation, it was determined, the facility failed to maintain the physical environment for the well-being of the patients and staff as required by the Standard Regulation 1200-8-1-08(2).  The findings included:  On 03-21-2007 at approximately 11:15 AM during inspection within the service hall area, observation revealed, there were two penetrations in the concrete ceiling above the conduit pipes. NFPA 101, 8.5.5.1.	H 872	See attachment D07A-H872	3-22-07	
H 893	1200-8-1-.08 (23) Building Standards.  (23) A negative air pressure shall be maintained in the soiled utility area, toilet room, janitor's closet, dishwashing and other such soiled spaces, and a positive air pressure shall be maintained in all clean areas including, but not limited to, clean linen rooms and clean utility rooms.  This Statute is not met as evidenced by: Surveyor: 16862 Based on inspection and observation, it was determined, the facility failed to maintain the Heating, Ventilation and the Air-conditioning system as required by the Standard Regulation	H 893			

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

DATE FORM

0000

CXQH21

If continuation sheet 1 of 4

## C.7(d) CONTRIBUTION TO ORDERLY DEVELOPMENT OF HEALTH CARE

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53195</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - MAIN BUILDING</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>03/21/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>COOKEVILLE REGIONAL MEDICAL CENTER</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>142 W 5TH ST COOKEVILLE, TN 38501</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 893	Continued From page 1  1200-8-1-08(23) and the NFPA 90A; 90B-4 and the NFPA 101, 19.5.2.1.  The findings included:  On 03-21-2007 at approximately 11:15 AM during inspection within the dietary dish washing area, observation revealed the air-return grille was very dusty. ~  During inspection within the laboratory area, observation in the storage revealed, the air-return grille was dusty. ~  Inspection and observation within the lobby bathroom revealed, the exhaust fan grille was dusty. ~	H 893	See attachment D07B  See attachment D07C  See attachment D07C	4-3-07  4-3-07	
H 951	1200-8-1-.09 (1) Life Safety  (1) Any hospital which complies with the required applicable building and fire safety regulations at the time the board adopts new codes or regulations will, so long as such compliance is maintained (either with or without waivers of specific provisions), be considered to be in compliance with the requirements of the new codes or regulations.  This Statute is not met as evidenced by: Surveyor: 16862  Based on inspection and observation, it was determined, the facility failed to comply with the applicable building and life safety regulations as required by the Standard Regulation 1200-8-1-09(1) and the NFPA 10, 1.6.12.  The findings included:	H 951			



Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53195</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - MAIN BUILDING</b> B. WING _____	(X3) DATE SURVEY COMPLETED  <b>03/21/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>COOKEVILLE REGIONAL MEDICAL CENTER</b>		STREET ADDRESS, CITY, STATE, ZIP CODE <b>142 W 5TH ST COOKEVILLE, TN 38501</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 951	Continued From page 2  On 03-21-2--7 at approximately 12:45 PM during inspection within the laboratory area, observation revealed, the portable fire extinguisher was blocked with a cart.  Based on inspection and observation, it was determined, the facility failed to comply with applicable building and fire safety regulation as required by the Standard Regulation 1200-8-1-09(2) and the NFPA 70, 110-13(a); 70, 210-8(a)(5); 70, 240-5; 70, 373-4; 70, 410-56(d).  The findings included:  On 03-21-2007 at approximately 12:30 PM during inspectionism of the within the 4 West Nurses Station, observation revealed a loosely hanging surge protector under the desk. Violation of the NFPA 70, 110-13(a).  During inspection within the laboratory, observation revealed electric outlets next to sinks were not Ground Fault Current Interrupters. NFPA 70, 210-8(a)(5).  Observation within the laboratory pathology area, revealed the use of an extension cord. NFPA 70, 240-5.  During inspection within the 3rd floor electrical room area, observation revealed two electric outlets without any face plates. NFPA 70, 373-4.  During inspection within the first floor service hall area, observation in the ceiling revealed there were two junction boxes with live wires and no covers plates.	H 951	See attachment D07A-H951-A          See attachment D07A-H951-B          See attachment D07A-H951-C          See attachment D07A-H951-D          See attachment D07A-H951-E          See attachment D07A-H951-F	3-22-07          3-22-07          4-06-07          3-22-07          3-22-07          3-22-07

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  <b>TNP53195</b>	(X2) MULTIPLE CONSTRUCTION A. BUILDING <b>01 - MAIN BUILDING</b> B. WING _____		(X3) DATE SURVEY COMPLETED  <b>03/21/2007</b>
NAME OF PROVIDER OR SUPPLIER  <b>COOKEVILLE REGIONAL MEDICAL CENTER</b>			STREET ADDRESS, CITY, STATE, ZIP CODE <b>142 W 5TH ST COOKEVILLE, TN 38501</b>		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 951	Continued From page 3  Inspection within the 4th floor mechanical room revealed two electric junction boxes without cover plates on them. NFPA 70, 410-56(d).	H 951	See attachment D07A-H951-G	3-22-07	

**PLAN OF CORRECTION**  
**Plant Facilities/Safety**  
**State Inspection March 22, 2007**

**H 872**

1. All penetrations shall be properly sealed.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed by requiring above the ceiling permits for all vendors needing penetrations and by an annual Fire & Smoke Wall inspection. This will be an inspection point for Hazardous Surveillance rounds.

**H951 – A**

1. The cart will be moved from in front of the fire extinguisher.
2. Safety Coordinator will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed at the next monthly Lab Department meeting and will also be an inspection point during Hazardous Surveillance rounds.

**H 951 – B**

1. The surge protector will be properly secured.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07.
4. The issue will be addressed in a Department meeting and will also be an inspection point on Hazardous Surveillance rounds.

**H 951 – C**

1. Ground Fault Current Interrupters will protect all electrical circuits in question.
2. Plant Facilities personnel will correct this problem.
3. This problem will be corrected on or before 4/06/07.
4. This issue will be noted as being non-compliant due to a code change. This will be an inspection point for Hazardous Surveillance rounds.

**PLAN OF CORRECTION**  
**Plant Facilities/Safety**  
**State Inspection March 22, 2007**

**H 951 – D**

1. Extension Cord will be removed from office and replaced with surge protector strip.
2. Safety Coordinator will correct this problem.
3. This problem was corrected on 3/22/07.
4. This issue will be addressed at the next monthly Lab Department meeting and will also be an inspection point during Hazardous Surveillance rounds.

**H 951 – E**

1. All electrical outlets shall have the proper face plates installed.
2. Plant Facilities personnel will correct this problem
3. This problem was corrected on 3/22/07.
4. This issue will be an inspection point for Hazardous Surveillance rounds.

**H 951 – F**

1. All electrical junction boxes shall have the proper box covers installed.
2. Plant Facilities personnel will correct the problem
3. This problem was corrected on 3/22/07
4. This issue will be an inspection point for Hazardous Surveillance rounds.

**H 951 – G**

1. All electrical junction boxes shall have the proper box covers installed.
2. Plant Facilities personnel will correct this problem.
3. This problem was corrected on 3/22/07
4. This issue will be an inspection point for Hazardous Surveillance rounds.

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53195	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  03/22/2007
NAME OF PROVIDER OR SUPPLIER  COOKEVILLE REGIONAL MEDICAL CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 142 W 5TH ST COOKEVILLE, TN 38501		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 404	<p>1200-8-1-.04 (4) Administration</p> <p>(4) Whenever the rules and regulations of this chapter require that a licensee develop a written policy, plan, procedure, technique, or system concerning a subject, the licensee shall develop the required policy, maintain it and adhere to its provisions. A hospital which violates a required policy also violates the rule and regulation establishing the requirement.</p> <p>This Statute is not met as evidenced by: Based on observation, interview, and policy review, it was determined that the facility failed to follow the established protocol to ensure the integrity of the pediatric crash cart.</p> <p>The findings included:</p> <p>Observation of the 5th floor, west wing pediatric crash cart on March 21, 2007 at 3:20 PM revealed two inoperable laryngoscope handles with battery leakage and white corrosion matter located at the bottom of each of the handles. The findings were confirmed in an interview with the Director of the unit at the time of the observation.</p> <p>Review of the facility Patient Care policy entitled, "Code 99," on March 22, 2007 revealed the following:</p> <p>VI. Code Cart</p> <p>VII. Replacement of supplies and daily checks</p> <p>B. The person in charge of the unit, or designee, will ensure that all supplies are replaced following a Code or opening of the drawers for other reasons (i.e. medication checks), or anytime a lock is broken.</p> <p>F. Unit staff is responsible for locking and validating final integrity of the cart.</p>	H 404	See attachment C07A-H 404-A	3/22/07

Division of Health Care Facilities

TITLE

(X5) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6899

CXQH11

If continuation sheet 1 of 3

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53195	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  03/22/2007
NAME OF PROVIDER OR SUPPLIER  COOKEVILLE REGIONAL MEDICAL CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 142 W 5TH ST COOKEVILLE, TN 38501		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 404	Continued From page 1  Based on record review, it was determined the facility failed to ensure the policy on Restraints/Seclusion is followed for one Patient (#6) out of thirty-three Patient records sampled.  The findings include:  Patient records review revealed that one Patient (#6) did not have the required documentation for restraints. On 03/18/07, an order for restraints for Patient #6 is signed by the physician but there is no documentation of the type of restraint to be used nor the reason for use of restraints. This finding was confirmed on interview 3/22/07 by the Director of Same Day Surgery. Review of Policy PC-225 states "The order must specify the reason for the restraint, the time limit that is not to exceed 24 hours, and the type of restraint to be used."	H 404	See attachment C07A- H 404-B	5/7/07
H 677	1200-8-1-.06 (4)(f) Basic Hospital Functions  (4) Nursing Services.  (f) The hospital must ensure that an appropriate individualized plan of care is available for each patient.  This Statute is not met as evidenced by: Based on record review and interview, it was determined that the facility failed to develop and implement care plans for two Patients (#21 & #22 ) of the thirty-three sampled Patients.  The findings included:  Medical record review of Patient #21 on March 22, 2007 revealed an admission date of March	H 677		

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53195	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED  03/22/2007
NAME OF PROVIDER OR SUPPLIER  COOKEVILLE REGIONAL MEDICAL CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 142 W 5TH ST COOKEVILLE, TN 38501		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
H 677	Continued From page 2  21, 2007 with diagnosis of normal newborn. Continued review of the record revealed no care plan.  Medical record review of Patient #22 on March 22, 2007 revealed an admission date of March 21, 2007 with a diagnosis of normal newborn. Continued review of the record revealed no care plan.  The above findings were confirmed in an interview with the Director of Women's Services and the staff registered nurse on March 22, 2007 at 12:05 PM.	H 677	See attachment C07A-H 677	3/22/07	

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:  TNP53195	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED  03/22/2007
NAME OF PROVIDER OR SUPPLIER  COOKEVILLE REGIONAL MEDICAL CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 142 W 5TH ST COOKEVILLE, TN 38501		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
P 526	<p>1200-8-30-.05 (4)(e) Basic Functions</p> <p>(4) Facility Structure and Equipment</p> <p>(e) An emergency cart or other systems to organize supplies including resuscitation equipment, drugs, printed pediatric drug doses and pediatric reference materials must be readily available. Equipment, supplies, trays, and medications shall be easily accessible, labeled and logically organized. Antidotes necessary for a specific geographic area should be determined through consultation with a poison control center. If the listed medications are not kept in the emergency department, they should be kept well organized and together in a location easily accessible and proximate to the emergency department.</p> <p>This Statute is not met as evidenced by: Based on observations and interview the facility failed to remove out of date supplies from its emergency cart.</p> <p>The findings included:</p> <p>Observations of the Braslow Bag, on March 21, 2007, at 10:30 am, revealed the following:</p> <ol style="list-style-type: none"> <li>1. One Intraosseous Module/Kit with expiration date of April 2005.</li> <li>2. One Intraosseous Module/Kit with expiration date of October 2005.</li> <li>3. One Intraosseous Module/Kit with expiration date of November 2005.</li> <li>4. One Intraosseous needle with expiration date March 2006.</li> </ol> <p>Interview with the Risk Manager on March 21, 2007, at 10:30 am, confirmed these findings.</p>	P 526	See attachment C07A-P 526	4/2/07

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE



March 27, 2007

Re : TNP53195

Nina Monroe  
Regional Administrator  
Middle Tennessee Regional Office  
Bureau of Health Licensure and Regulation  
710 Hart Lane, 1<sup>st</sup> Floor  
Nashville, TN 37247-0530

Dear Ms. Monroe:

I am responding to your letter of March 27, 2007. Please find attached documentation responding to the statement of deficiencies developed as a result of the state licensure survey completed on March 22, 2007 at Cookeville Regional Medical Center.

As per your instruction, plans of correction all have dates of completion within 60 days of the completion of the above survey.

I hope the information attached meets with your approval. Should you have any further questions or needs, please feel free to call.

Sincerely,

Bernard L. Mattingly  
Chief Executive officer (CEO)  
Cookeville Regional Medical Center

April 2, 2007

Joe Iwanyszyn  
Director, Plant Facilities  
Cookeville Regional Medical Center

RE: Plan of Correction from the State Inspection on March 22, 2007

Deficiency: Air-return grille was very dusty within the dietary dish washing area

PoC

FNS staff cleaned the air-return grille immediately on March 22, 2007.

Food and Nutrition placed the air-return grille on a cleaning rotation for once per week. The FNS supervisor of the area will monitor the process to ensure compliance.

Prevention: Now on a scheduled cleaning maintenance.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Venters, MS, RD". The signature is fluid and cursive, with the initials "MS, RD" written in a more formal, blocky style at the end.

Michael Venters  
Director, Food and Nutrition  
Cookeville Regional Medical Center

Cc: Dave Riddell



142 West Fifth Street  
Cookeville, TN 38501  
931/528-2541

04/02/07

Joe Iwanyszyn  
Director, Plant facilities  
Cookeville Regional Medical Center

Re: Plan of Correction from State inspection on March 22, 2007

Dear Joe,

Our corrective plan of action in response to the State of Tennessee inspection on March 22, 2007 is as follows:

A supervisor was assigned to correct the cleaning deficiencies listed on page two of four. A housekeeper will be assigned the task of correcting these deficiencies and the area will be re-inspected by the housekeeping supervisor on 04/03/07.

We will prevent further occurrences by performing additional quality assurance rounds. The housekeeper checklist requires that they perform high dusting on a weekly basis. We will continue to monitor these checklists to ensure completion and consistency.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Rex Stephenson', with a long horizontal flourish extending to the right.

Rex Stephenson  
Director, Environmental Services  
Cookeville Regional Medical Center

CC: Dave Riddell

**PLAN OF CORRECTION**  
**Clinical Areas**  
**State Inspection March 22, 2007**

**H 404 - A**

1. Both inoperable laryngoscope handles were replaced on March 22, 2007. Nursing staff were re-educated on the current Code 99 policy and its requirements.
2. 5 West Nursing Staff (Pediatric / Surgical) will correct this problem.
3. This problem was corrected on March 22, 2007.
4. This issue will be addressed by a revision of our house-wide Code 99 policy. All carts not being maintained by central sterile supply (Pediatric & Neonatal) must be checked by each floors/departments charge nurse every 3 months related to battery powered equipment. Documentation checklists will be maintained on the crash carts. Overall goal is to have all pediatric and neonatal carts standardized and maintained by Central Sterile supply by July 1, 2007. At that time the Code 99 policy will be further revised to reflect this house-wide standardization of the carts.

**H 404 - B**

1. A memo will be sent out to all physicians reminding (and re-educating) them on the correct way to fill out a restraint order as well as further education efforts will be completed with the Nursing staff in regards to checking an restraint order for completeness before continuing a restraint.
2. Nursing Administration (with the assistance of Nursing Education will correct this problem.
3. This problem will be corrected by May 7, 2007.
4. This issue will be addressed by adding Spot Restraint documentation checks to the items done in the facility wide hazardous rounds as well as Nursing supervisors continuing their current practice of checking restraints and restraint documentation every shift.

**H 677**

1. Care plans have been added to all newborn charts when the chart is created, then the document is individualized as needed.
2. OB Nursing personnel will correct this problem.
3. This problem was corrected on March 22, 2007.
4. This issue will be addressed by performing chart reviews daily as a spot check by the department director. The charge nurse and individual nursing caring for the patient are also held accountable for following and maintaining the plan.

**P 526**

- 1. All expired supplies were removed from the Braslow Bags on March 22, 2007. Staff were re-educated on the need and reason for checking expiration dates.**
- 2. ER Nursing personnel will correct this problem.**
- 3. This problem was corrected by April 2, 2007.**
- 4. This issue will be addressed by the creation of a checklist for the supply tech to assist in rechecking these supplies at the same time each month. This check will also be added to the facility wide hazardous rounds so that spot check audits can be performed.**

**TAB 28**



The Joint Commission

November 10, 2011

Re: # 7821

CCN: #440059

Program: Hospital

Accreditation Expiration Date: December 03, 2014

Menachem Langer  
Chief Executive Officer  
Cookeville Regional Medical Center  
PO Box 340  
Cookeville, Tennessee 38501

Dear Dr. Langer:

This letter confirms that your August 31, 2011 - September 02, 2011 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on November 07, 2011 and October 13, 2011, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of September 03, 2011. We congratulate you on your effective resolution of these deficiencies.

§482.23 Condition of Participation: Nursing Services  
§482.24 Condition of Participation: Medical Record Services  
§482.41 Condition of Participation: Physical Environment  
§482.51 Condition of Participation: Surgical Services  
§482.52 Condition of Participation: Anesthesia Services

The Joint Commission is also recommending your organization for continued Medicare certification effective September 03, 2011. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation also applies to the following locations:

Cardiac & Pulmonary Rehabilitation Center  
228 West 4th Street, Suite 100, Cookeville, TN, 38501

Cookeville Regional Medical Center Authority  
d/b/a Cookeville Regional Medical Center Authority  
1 Medical Center Boulevard, Cookeville, TN, 38501

[www.jointcommission.org](http://www.jointcommission.org)

**Headquarters**

One Renaissance Boulevard  
Oakbrook Terrace, IL 60181  
630 792 5000 Voice



The Joint Commission

Diabetes Education Program  
127 North Oak, Cookeville, TN, 38501

Outpatient Physical Therapy Department  
215 West 6th Street, Cookeville, TN, 38501

Rehab Center  
215 West 6th Street, Cookeville, TN, 38501

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

*Ann Scott Blouin RN, PhD*

Ann Scott Blouin, RN, Ph.D.  
Executive Vice President  
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services  
CMS/Regional Office 4 /Survey and Certification Staff





Cookeville Regional Medical Center  
1 Medical Center Boulevard  
Cookeville, TN 38501

**Organization Identification Number: 7821**

**Program(s)**  
Hospital Accreditation

**Survey Date(s)**  
08/31/2011-09/02/2011

#### **Executive Summary**

**Hospital Accreditation :** As a result of the accreditation activity conducted on the above date(s), Requirements for Improvement have been identified in your report.

You will have follow-up in the area(s) indicated below:

- Evidence of Standards Compliance (ESC)

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

## The Joint Commission Summary of Findings

**Evidence of DIRECT Impact Standards Compliance is due within 45 days from the day this report is posted to your organization's extranet site:**

<b>Program:</b>	Hospital Accreditation Program	
<b>Standards:</b>	LS.01.02.01	EP3
	LS.03.01.30	EP1
	PC.01.02.07	EP3
	PC.03.01.03	EP8
	RC.02.01.03	EP7

**Evidence of INDIRECT Impact Standards Compliance is due within 60 days from the day this report is posted to your organization's extranet site:**

<b>Program:</b>	Hospital Accreditation Program	
<b>Standards:</b>	LS.02.01.10	EP9
	LS.02.01.20	EP13
	LS.02.01.30	EP2
	PC.01.02.03	EP5
	PC.01.03.01	EP5

## The Joint Commission Summary of CMS Findings

**CoP:** §482.23      **Tag:** A-0385      **Deficiency:** Standard

**Corresponds to:** HAP

**Text:** §482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse.

CoP Standard	Tag	Corresponds to	Deficiency
§482.23(b)(4)	A-0396	HAP - PC.01.03.01/EP5	Standard

**CoP:** §482.24      **Tag:** A-0431      **Deficiency:** Standard

**Corresponds to:** HAP

**Text:** §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(2)(i)(B)	A-0461	HAP - PC.01.02.03/EP5	Standard

**CoP:** §482.41      **Tag:** A-0700      **Deficiency:** Standard

**Corresponds to:** HAP

**Text:** §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.10/EP9, LS.02.01.20/EP13, LS.02.01.30/EP2, LS.03.01.30/EP1	Standard

**CoP:** §482.51      **Tag:** A-0940      **Deficiency:** Standard

**Corresponds to:** HAP

**Text:** §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP Standard	Tag	Corresponds to	Deficiency
§482.51(b)(6)	A-0959	HAP - RC.02.01.03/EP7	Standard
§482.51(b)(1)(ii)	A-0952	HAP - PC.01.02.03/EP5	Standard

**The Joint Commission  
Summary of CMS Findings**

**CoP:** §482.52      **Tag:** A-1000      **Deficiency:** Standard

**Corresponds to:** HAP

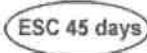
**Text:** §482.52 Condition of Participation: Anesthesia Services

If the hospital furnishes anesthesia services, they must be provided in a well-organized manner under the direction of a qualified doctor of medicine or osteopathy. The service is responsible for all anesthesia administered in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.52(b)(1)	A-1003	HAP - PC.03.01.03/EP8	Standard

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## The Joint Commission Findings

**Chapter:** Life Safety  
**Program:** Hospital Accreditation  
**Standard:** LS.01.02.01   
**Standard Text:** The hospital protects occupants during periods when the Life Safety Code is not met or during periods of construction.  
**Primary Priority Focus Area:** Physical Environment  
**Element(s) of Performance:**

3. The hospital has a written interim life safety measure (ILSM) policy that covers situations when Life Safety Code deficiencies cannot be immediately corrected or during periods of construction. The policy includes criteria for evaluating when and to what extent the hospital follows special measures to compensate for increased life safety risk. (See also LS.01.01.01, EP 3)



**Scoring Category :** A  
**Score :** Insufficient Compliance


### Observation(s):

EP 3

Observed in Document Review at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.

The facility has an ILSM policy in place, however the policy is outdated and does not reflect all current ILSM's. In addition, the policy contains no criteria for determining when and to what extent ILSM's are to be implemented to compensate for Life Safety deficiencies noted at the facility. The need for such detailed evaluation and subsequent implementation of ILSM's is clearly shown by the status of the current ventilation project involving the old elevator shafts at the facility.

---

**Chapter:** Life Safety  
**Program:** Hospital Accreditation  
**Standard:** LS.02.01.10   
**Standard Text:** Building and fire protection features are designed and maintained to minimize the effects of fire, smoke, and heat.  
**Primary Priority Focus Area:** Physical Environment  
**Element(s) of Performance:**

9. The space around pipes, conduits, bus ducts, cables, wires, air ducts, or pneumatic tubes that penetrate fire-rated walls and floors are protected with an approved fire-rated material.

Note: Polyurethane expanding foam is not an accepted fire-rated material for this purpose. (For full text and any exceptions, refer to NFPA 101-2000: 8.2.3.2.4.2)



**Scoring Category :** C  
**Score :** Insufficient Compliance

### Observation(s):

## The Joint Commission Findings

EP 9

§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.

This Standard is NOT MET as evidenced by:

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Unsealed conduit ends were noted in the following locations: 6 North "B" wing, 3 unsealed conduits.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Unsealed conduit ends were noted in the following locations: 4 North "B" wing, 2 unsealed conduits.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Unsealed conduit ends were noted in the following locations: 5th floor North "B" wing one unsealed conduit.

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**Chapter:** Life Safety

**Program:** Hospital Accreditation

**Standard:** LS.02.01.20

ESC 60 days

**Standard Text:** The hospital maintains the integrity of the means of egress.

**Primary Priority Focus Area:** Physical Environment

**Element(s) of Performance:**

13. Exits, exit accesses, and exit discharges are clear of obstructions or impediments to the public way, such as clutter (for example, equipment, carts, furniture), construction material, and snow and ice. (For full text and any exceptions, refer to NFPA 101-2000: 7.1.10.1)



**Scoring Category :** C

**Score :** Insufficient Compliance

**Observation(s):**

## The Joint Commission Findings

### EP 13

§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.

This Standard is NOT MET as evidenced by:

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: 6 East Hall.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: 4 West hall.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: Oncology Center CORE area.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: Labor/Delivery.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

Corridor obstructions were noted in several locations at the medical center. Specific reference is made to: ER.

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**Chapter:** Life Safety

**Program:** Hospital Accreditation

**Standard:** LS.02.01.30

ESC 60 days

**Standard Text:** The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.

**Primary Priority Focus Area:** Physical Environment

## The Joint Commission

### Element(s) of Performance:

2. All hazardous areas are protected by walls and doors in accordance with NFPA 101-2000: 18/19.3.2.1. (See also LS.02.01.10, EP 5; LS.02.01.20, EP 18) Hazardous areas include, but are not limited, to the following:



#### Boiler/fuel-fired heater rooms

- Existing boiler/fuel-fired heater rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls and 3/4-hour fire-rated doors.
- New boiler/fuel-fired heater rooms have sprinkler systems and have 1-hour fire-rated walls and 3/4-hour fire-rated doors.

#### Central/bulk laundries larger than 100 square feet

- Existing central/bulk laundries larger than 100 square feet have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the laundries have 1-hour fire-rated walls and 3/4-hour fire-rated doors.
- New central/bulk laundries larger than 100 square feet have sprinkler systems and have 1-hour fire-rated walls and 3/4-hour fire-rated doors.

#### Flammable liquid storage rooms (See NFPA 30-1996:4-4.2.1 and 4-4.4.2)

- Existing flammable liquid storage rooms have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors.
- New flammable liquid storage rooms have sprinkler systems and have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors.

#### Laboratories (See NFPA 45-1996 to determine if a laboratory is a 'severe hazard' area)

- Existing laboratories that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the laboratories have walls fire rated for 1 hour with 3/4-hour fire-rated doors.
- New laboratories that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices.
- Existing laboratories that are severe hazard areas (See NFPA 99-1999: 10-3.1.1) have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors. When there is a sprinkler system, the walls are fire rated for 1 hour with 3/4-hour fire-rated doors.
- New laboratories that are severe hazard areas (See NFPA 99-1999: 10-3.1.1) have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- Existing flammable gas storage rooms in laboratories have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors. (See NFPA 99-1999: 10-10.2.2)
- New flammable gas storage rooms in laboratories have sprinkler systems and have 2-hour fire-rated walls with 1 1/2-hour fire-rated doors. (See NFPA 99-1999: 10-10.2.2)

#### Maintenance repair shops

- Existing maintenance repair shops have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the shops have 1-hour fire-rated walls with at least 3/4-hour fire-rated doors.
- New maintenance repair shops have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

#### Piped oxygen tank supply rooms (See NFPA 99-1999: 4-3.1.1.2)

- Existing piped oxygen tank supply rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New piped oxygen tank supply rooms have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

#### Paint shops that are not severe hazard areas

- Existing paint shops that are not severe hazard areas have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the shops have 1-hour fire-rated walls with 3/4-hour fire-rated doors.
- New paint shops that are not severe hazard areas have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

#### Soiled linen rooms

- Existing soiled linen rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour



## The Joint Commission Findings

fire-rated walls with 3/4-hour fire-rated doors.

- New soiled linen rooms have sprinkler systems and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

Storage rooms

- Existing storage rooms for combustible materials larger than 50 square feet have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

- New storage rooms for combustible materials 50 to 100 square feet are sprinklered, resist the passage of smoke, and have doors with self-closing or automatic-closing devices.

- New storage rooms for combustible materials larger than 100 square feet are sprinklered and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

Trash collection rooms

- Existing trash collection rooms have sprinkler systems, resist the passage of smoke, and have doors with self-closing or automatic-closing devices; or the rooms have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

- New trash collection rooms are sprinklered and have 1-hour fire-rated walls with 3/4-hour fire-rated doors.

### Scoring Category :C

Score : Partial Compliance

### Observation(s):

EP 2

§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.

This Standard is NOT MET as evidenced by:

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

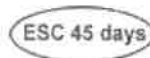
In suite S-2, the file storage room does not have a door separating it from the lobby. Blueprints of the area show a smoke wall in this location.

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

The rear door to the file storage room in suite S-2 is not equipped with a door closer.

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<b>Chapter:</b>	Life Safety
<b>Program:</b>	Hospital Accreditation
<b>Standard:</b>	LS.03.01.30



## The Joint Commission Findings

### Standard Text:

The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.

Note 1: This standard applies to sites of care where four or more patients at the same time are provided either anesthesia or outpatient services that render patients incapable of saving themselves in an emergency in the hospital.

Note 2: This standard applies to all hospitals seeking accreditation for Medicare certification purposes, regardless of the number of patients rendered incapable.

Note 3: In leased facilities, the elements of performance of this standard apply only to the space in which the accredited organization is located; all exits from the space to the outside at grade level; and any Life Safety Code building systems that support the space (for example, fire alarm system, automatic sprinkler system).

**Primary Priority Focus Area:** Physical Environment

### Element(s) of Performance:

1. Existing vertical openings (other than exit stairs) are enclosed with 1-hour fire-rated walls. In new construction, vertical openings (other than exit stairs) are enclosed by 1-hour fire-rated walls when connecting three or fewer floors, and 2-hour fire-rated walls when connecting four or more floors. (For full text and any exceptions, refer to NFPA 101-2000: 20/21.3.1)



Note: These vertical openings include, but are not limited to, communicating stairs, ramp, elevator shafts, ventilation shafts, light shafts, trash chutes, linen chutes, and utility chases.

### Scoring Category :A

**Score :** Insufficient Compliance

### Observation(s):

EP 1

§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.

This Standard is NOT MET as evidenced by:

Observed in Building Tour at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

On the 3rd, 4th, 5th and 6th floor East old elevator shafts are being converted to ventilation shafts. The old elevator equipment has been removed, however the shafts themselves have not been closed off at each floor. The only separation between floors is that the old elevator lobby is separated by a single layer of drywall and a locked door to control access, however there is no fire separation between the floors. As a minimum the following actions must be taken to insure fire protection for the facility: Temporary 2 hour rated fire walls must be installed on every floor at the shaft entrance; Appropriate ILSM's must be implemented to compensate for the hazard posed by this project, including staff notification, training on evacuation in case of fire, extra fire drills and fire watches during all hot work. Additional ILSM's must be implemented as needed .

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### Chapter:

Provision of Care, Treatment, and Services

## The Joint Commission Findings

**Program:** Hospital Accreditation

**Standard:** PC.01.02.03

ESC 60 days

**Standard Text:** The hospital assesses and reassesses the patient and his or her condition according to defined time frames.

**Primary Priority Focus Area:** Information Management

**Element(s) of Performance:**

5. For a medical history and physical examination that was completed within 30 days prior to registration or inpatient admission, an update documenting any changes in the patient's condition is completed within 24 hours after registration or inpatient admission, but prior to surgery or a procedure requiring anesthesia services. (See also MS.03.01.01, EP 8; RC.02.01.03, EP 3)



**Scoring Category :C**

**Score :** Insufficient Compliance

**Observation(s):**

EP 5

§482.24(c)(2)(i)(B) - (A-0461) - (2) [All records must document the following, as appropriate:

(i) Evidence of --]

(B) An updated examination of the patient, including any changes in the patient's condition, when the medical history and physical examination are completed within 30 days before admission or registration. Documentation of the updated examination must be placed in the patient's medical record within 24 hours after admission or registration, but prior to surgery or a procedure requiring anesthesia services.

This Standard is NOT MET as evidenced by:

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

The history and physical examination found in the medical record of a surgical patient had been faxed to the hospital on 8/30. It was, however, dated 8/31, the date of admission. There was no update to this history and physical found in the medical record.

§482.51(b)(1)(ii) - (A-0952) - (ii) An updated examination of the patient, including any changes in the patient's condition, must be completed and documented within 24 hours after admission or registration when the medical history and physical examination are completed within 30 days before admission or registration.

This Standard is NOT MET as evidenced by:

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

A patient was seen in a physician's office and directly admitted to the hospital on the same day. The history and physical examination was dictated and printed in the physician's office and then faxed to the hospital and placed into the patient's medical record. There was no update to the H&P found in the medical record.

Observed in OB, Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

When reviewing the record of care, the update to the H&P upon admission and before delivery was not evident.

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**Chapter:** Provision of Care, Treatment, and Services

**Program:** Hospital Accreditation

**Standard:** PC.01.02.07

ESC 45 days

**Standard Text:** The hospital assesses and manages the patient's pain.

## The Joint Commission Findings

**Primary Priority Focus Area:** Assessment and Care/Services

**Element(s) of Performance:**

3. The hospital reassesses and responds to the patient's pain, based on its reassessment criteria.



**Scoring Category :** C

**Score :** Insufficient Compliance

**Observation(s):**

EP 3

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.

A patient had an order for intravenous morphine as needed for pain. The patient complained of pain and was given two milligrams of morphine. There was no documentation of a reassessment of the patient's pain within one hour as required by policy.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.

A patient was given a prn oral pain medication. Hospital policy requires a reassessment of pain within one hour after medication. No documentation of a pain reassessment was found in the medical record.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.

During the visit to the emergency room the surveyor traced a 79 year old male patient who was later admitted. The patient was presented with a pain score of 5 and was medicated with PO tylenol. There was no documentation that the patient's pain level was ever reassessed as required by policy.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site.

During the tracer of a 25 year old patient being seen in the emergency department it was noted that the patient received multiple doses of IV fentanyl over the course of two hours. The patient presented with a pain level of 10. When the patient was admitted some two hours later the patient pain level was still at 9. There was no documentation that the patient's pain level was reassessed within one hour as required by policy.

Observed in Individual Tracer at Outpatient Physical Therapy Department (215 West 6th Street, Cookeville, TN) site. During the individual tracers of two outpatient physical therapy and one occupational therapy patients it was noted that pain was inconsistently reassessed during each visit. Hospital policy requires that pain be assessed on the initial evaluation and reassessed on each visit thereafter.

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**Chapter:** Provision of Care, Treatment, and Services

**Program:** Hospital Accreditation

**Standard:** PC.01.03.01

**Standard Text:** The hospital plans the patient's care.

**Primary Priority Focus Area:** Assessment and Care/Services

ESC 60 days

## The Joint Commission Findings

### Element(s) of Performance:

5. The written plan of care is based on the patient's goals and the time frames, settings, and services required to meet those goals.

Note: For psychiatric hospitals that use accreditation for deemed status purposes: The patient's goals include both short- and long-term goals.



### Scoring Category :A

Score : Insufficient Compliance

### Observation(s):

EP 5

§482.23(b)(4) - (A-0396) - (4) The hospital must ensure that the nursing staff develops, and keeps current, a nursing care plan for each patient.

This Standard is NOT MET as evidenced by:

Observed in Individual Tracer at Rehab Center (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.

During the tracer of a 89 year old rehab inpatient the treatment plan was reviewed. During the review it was noted that the mobility goals lacked time frames for achievement. Also many of the goals used discharge as the time frame for goal achievement however the discharge date was unknown. Further, there were no long and short term goals delineated as required by policy.

Observed in Individual Tracer at Rehab Center (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.

During the tracer of a 77 year old rehab inpatient the treatment plan was reviewed. During the review it was noted that there were no long and short term goals delineated as required by policy. Also many of the goals used discharge as the time frame for goal achievement however the discharge date was unknown.

Observed in Individual Tracer at Outpatient Physical Therapy Department (215 West 6th Street, Cookeville, TN) site for the Hospital deemed service.

During the tracer of an 83 year old physical therapy out patient it was noted that the short and long term goals lacked times frames for goal achievement.

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**Chapter:** Provision of Care, Treatment, and Services

**Program:** Hospital Accreditation

**Standard:** PC.03.01.03

ESC 45 days

**Standard Text:** The hospital provides the patient with care before initiating operative or other high-risk procedures, including those that require the administration of moderate or deep sedation or anesthesia.

**Primary Priority Focus Area:** Assessment and Care/Services

### Element(s) of Performance:

8. The hospital reevaluates the patient immediately before administering moderate or deep sedation or anesthesia. (See also RC.02.01.01, EP 2)



### Scoring Category :A

Score : Insufficient Compliance

### Observation(s):

## The Joint Commission Findings

EP 8

§482.52(b)(1) - (A-1003) - [The policies must ensure that the following are provided for each patient:]

(1) A pre-anesthesia evaluation completed and documented by an individual qualified to administer anesthesia, as specified in paragraph (a) of this section, performed within 48 hours prior to surgery or a procedure requiring anesthesia services.

This Standard is NOT MET as evidenced by:

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

During an individual tracer of a 55 year old cardiac surgery patient who had surgery on August 29 2011 it was noted that there was no documentation that the patient was reevaluated prior to the administration of the sedating agents. The hospital does not have a policy that addresses the reevaluation of the patient immediately before administering moderate or deep sedation or anesthesia.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

During an individual tracer of a 77 year old cardiac surgery patient who under went a CABG procedure under general anesthesia on October 12, 2010 it was noted that there is no documentation that the patient was reevaluated prior to the administration of the sedating agents. The hospital does not have a policy that addresses the requirement to reevaluate the patient immediately before administering moderate or deep sedation or anesthesia.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

During the individual tracer of a 62 year old cardiac surgery patient who under went a CABG X 2 on September 1, 2011 it was noted that there was no documentation that a reevaluation of the patient occurred immediately prior to the administration of the sedating agents. The hospital does not have a policy that addresses the requirement to reevaluate the patient immediately before administering moderate or deep sedation or anesthesia.

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<b>Chapter:</b>	Record of Care, Treatment, and Services
<b>Program:</b>	Hospital Accreditation
<b>Standard:</b>	RC.02.01.03
<b>Standard Text:</b>	The patient's medical record documents operative or other high-risk procedures and the use of moderate or deep sedation or anesthesia.
<b>Primary Priority Focus Area:</b>	Information Management
<b>Element(s) of Performance:</b>	

7. When a full operative or other high-risk procedure report cannot be entered immediately into the patient's medical record after the operation or procedure, a progress note is entered in the medical record before the patient is transferred to the next level of care. This progress note includes the name(s) of the primary surgeon(s) and his or her assistant(s), procedure performed and a description of each procedure finding, estimated blood loss, specimens removed, and postoperative diagnosis.



**Scoring Category :** C

**Score :** Insufficient Compliance

**Observation(s):**

## **The Joint Commission Findings**

### **EP 7**

§482.51(b)(6) - (A-0959) - (6) An operative report describing techniques, findings, and tissues removed or altered must be written or dictated immediately following surgery and signed by the surgeon.

This Standard is NOT MET as evidenced by:

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

An inpatient underwent a surgical procedure in the operating room. The full operative report was dictated immediately following the procedure but was not transcribed until more than ten hours later. No procedure progress note was found in the medical record.

Observed in Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

During an individual tracer of a 55 year old cardiac surgery patient it was noted on the anesthesia record that the patient lost 800 ml of blood during the procedure. In reviewing the immediate post operative note it was discovered that there was no indication that the patient had lost any blood. The patient's EBL should have been included in the immediate post operative note.

Observed in OB, Individual Tracer at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

When reviewing the record of care for a patient who underwent a surgical procedure on 08/30, a full operative/high risk procedure note, nor a post-operative progress note was evident in the record at time of survey visit on 08/31.

Observed in Peds, Record Review at Cookeville Regional Medical Center Authority (1 Medical Center Boulevard, Cookeville, TN) site for the Hospital deemed service.

When reviewing the record of care for a patient who underwent a surgical incision and drainage procedure, the record lacked evidence of a post-operative progress note.

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## The Joint Commission



**TAB 29**

Doug Richards, (931)260-0675

**A&L CONSTRUCTION:** New construction, remodel, handyman service, tile showers, hardwood, decks, window replacements. Lic/Ins'd. Lee (931)854-7440, Mike (931)239-4799

Cleaned, Drywall, Yard Work, Small Tract Hoe Service. 25 Yrs Exp. Dan 349-6110, 839-8497

**HOUSE PLANS:** Have done 100's of plans in the area. Call me for Reasonable Rates. (931)252-3503

## NOTICE

The City of Algood has declared the following vehicles surplus property and will be sold at public auction to the highest CASH bidder on Friday, May 17th at 1:00 pm at 228 Brewer Street (City Garage). Vehicles can be viewed one hour prior to the sale. These vehicles are being sold as is, where is and the City of Algood reserves the right to reject any and all bids.

### Surplus Vehicles:

2000 Ford CVP 4D VIN# 2FAFP71W8YX210107  
2001 Ford CVP 4D VIN# 2FAFP71W71X132389  
2002 Ford CRO 4D VIN# 2FAFP71W42X147997  
2004 Ford CVP 4D VIN# 2FAHP71W04X126432  
2002 Chev CAV CP VIN# 1G1JC124X27121008

### Seized Vehicles:

2001 Jetta VIN# 3VWWSG6M91M10897  
2004 Chev Avalanche VIN# 3GNEC12T04G209743  
1994 Ford Tempo VIN# 1FAPP36X2RK227195  
2000 Kia Sephia VIN# KNAFB121OY5879527  
1994 Ford F150 VIN# 1FTEF15N1RLA74568

Vaughan Larson  
City Recorder

## NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health and Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: COOKEVILLE REGIONAL MEDICAL CENTER owned by COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY with an ownership type of Governmental and to be managed by itself intends to file an application for a Certificate of Need for the renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within the Central Sterile Supply Department and the relocation and expansion of the Inpatient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is \$11,546,920.

The anticipated date of filing the application is: May 8, 2013.

The contact person for this project is Paul Korth, CEO, who may be reached at Cookeville Regional Medical Center, 1 Medical Center Boulevard, Cookeville, TN 38501, (931) 783-2000.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607©(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# **Copy**

## **Supplemental #1**

### **Cookeville Regional Medical Center**

#### **CN1305-016**

**May 22, 2013**  
**10:01 am**

**AFFIDAVIT** 13 MAY 22 AM 10 59

STATE OF TENNESSEE

COUNTY OF Putnam

NAME OF FACILITY: Cookeville Regional Medical Center

I, Paul Korth, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
\_\_\_\_\_  
PAUL KORTH, CEO

Sworn to and subscribed before me, a Notary Public, this the 21<sup>st</sup> day of May, 2013,  
witness my hand at office in the County of Putnam, State of Tennessee.

  
\_\_\_\_\_  
NOTARY PUBLIC

My commission expires June 22, 2015.

HF-0043

Revised 7/02



**COOKEVILLE REGIONAL MEDICAL CENTER**

2013 MAY 22 AM 10:01

**RESPONSES TO FIRST SUPPLEMENTAL QUESTIONS**

**PROJECT NAME:**

**CENTRAL STERILE SUPPLY EXPANSION AND  
RENOVATION AND  
RELOCATION AND EXPANSION OF PHARMACY**

**CERTIFICATE OF NEED APPLICATION:**

**CN 1305-016**

**1. Filing Fee**

2013 MAY 22 AM 11 00

**There appears to be a shortage of \$704.00 in the applicant's filing fee. The amount of the initial filing fee is equal to \$2.25 per \$1,000 of the estimated project cost. Please submit the \$704.00 shortage.**

Response - You are correct. We incorrectly calculated the filing fee. Enclosed is our check for the additional \$704.00.

**2. Section 1 Project Description**

**Please discuss if the proposed renovation and expansion of the Central Sterile Supply department will reduce patient infections. If so, what is the projected percentage reduction?**

Response - While we monitor all surgical site infections for trends there is no evidence to suggest that any prior infections were due to inadequate or improper sterilization. Therefore, it is impossible to say that this expansion will decrease infection rates specifically. This expansion will, however, decrease risk for processing errors within the department by allowing adequate space for performing standardized reprocessing. The expansion, along with the addition of equipment, will allow for more efficient turnaround of surgical instruments, alleviating stress associated with feeling rushed to clean instruments quickly therefore reducing risk of infection due to variance in processing.

**Please discuss how the ergonomics of the proposed Central Sterile Supply department will improve the sterilization process of surgical instruments.**

Response The design of the new Washer/Disinfector allows for increased capacity at reduced cycle times while reducing utility and detergent consumption. The system is easy for the operator to program and use. The conveyor system is modular with automated loading/unloading functionality; it can be adjusted and positioned according to staffing and work space requirements. The sonic-washer is equipped with auto load/unload elevator and toe-touch controls. It has an enhanced transducer for efficient cleaning of micro and cannulated instruments. The prep and pack workstations have electric height adjustment with overhead task lights and accessories for computer/monitor attachments. The surgical instrument/tray tracking system allows for accurate tray assembly and "patient point of care" use. The Pre-vacuum Steam Sterilizers has greater capacity and are utility efficient. The design of the door operation and

controls with respect to ergonomics is its best feature. The manual doors operate with one hand and the automated ones are power sliding. The controls are at eye level, easy to program with one-touch operation. The instrument/tray transfer cart docking system for loading and unloading is safer. The shelves in the sterile storage area are height adjustable so that heavy trays can be transferred safely without compromising the integrity of the packaging. The entire department's lighting system will improve.

**Please briefly discuss how the proposed Central Sterile Central Supply Department will improve employee safety.**

Response The creation of the Central Sterile Supply Department is based on the premise that centralizing the decontamination and sterilization processes improves quality due to central control and consistency of trained workers. The mission of the department is to ensure patient safety by eliminating the risk of infection due to cross contamination associated with the re-use of medical/surgical instruments, sets and equipment. The decision to re-design and purchase new equipment is based on current and future demands of sixteen surgical suites, the quantity, capacity and age of the processing equipment as well as the space required in each area to safely work. Increasing the quantity, capacity and efficiency of the washer-disinfectors and sterilizers decreases processing queue and turnover times, level loading or evening out production runs prevents staff overload which in turn reduces stress, mistakes and injuries. New equipment is now designed with ergonomics and utility efficiencies in mind. Automated loading/unloading equipment, auto elevators for lifting, adjustable work stations, single handed doors and enhanced microprocessors that not only are easy to program and use but have auto shut down features for safety. Re-designing the department compartmentalizes each area, creates an environment from contaminated to clean to sterile. Increasing the space of the department not only allows for the additional equipment and storage but just as importantly adequate space based on current staff levels (additional if necessary) to work, reducing all the hazards associated with a tight working environment.

**Please provide a brief overview of the decontamination area, assembly and packaging area, Sterile Storage area and the distribution area in the proposed Central Sterile Supply Department project.**

Response The decontamination area will increase in size from 1,122 SqFt to approximately 1,605 SqFt. In order to accommodate the demands of sixteen surgical suites, the cleaning/disinfecting equipment quantity and capacity will increase from two Washer/Disinfector to four, replacement of the case-cart washer/disinfector and replacement of the sonic-washer. The assembly and packaging area will increase in size from 3,310 SqFt to approximately 3,528 SqFt. New replacement equipment required for this area includes ten prep and pack work stations and four 60" Pre-vacuum Medium Stream Sterilizers. The Sterile Storage Distribution area will increase in size from 3,565 SqFt to approximately 6,100 SqFt. Shelving and bins will be adjustable and vary in size to accommodate re-usable instrumentation and disposable supplies.

**What is the age of Cookeville Regional Medical Center's physical plant?  
Please clarify the availability of space for future expansion of the Central  
Sterile Supply Department.**

Response The current location of Cookeville Regional Medical Center was first built in the 70's. It was added on to in the 80's, 90's and most recently in 2008 when the North Patient Tower was completed. At the time of the construction of the North Patient Tower, CRMC also built a new power plant which is located at the corner of 6<sup>th</sup> and N. Cedar St. The Central Sterile Supply is located in what is referred to as the 80's building. The Pharmacy also is currently located in the 80's building and will be re-located into the built out space on the first floor which was part of the North Patient Tower expansion.

The renovation to both the Central Sterile Supply Department and the Pharmacy Department will meet the needs of both departments for at least the next 15 years. Further, it is likely that technology will produce smaller and more efficient sterilizing methods in the future, so the space for CSS itself will probably be sufficient well beyond 15 years. Also, because of how it will be organized, as new technology is developed it will be possible to replace equipment in CSS in the larger footprint without interruption of operations and without needing more physical space.

The pharmacy expansion also will meet the current and future projected needs of the facility for at least 15 years.

**3. Section B, Project Description, Item III. (A)**

**The provided plot plan is noted. Please note the size of site (in acres) and indicate the location of the proposed MRI structure on the plot plan.**

Response As stated in B III A the main Hospital building sits on approximately 7 acres. The entire hospital site including parking lots and physical plant is approximately 17.9 acres. Exhibit B III A Tab 14 gives the acreage by individual plot. I do not understand the question about the location of the MRI structure. There is no MRI structure that is part of this CON. If the question is meant to request the location of the Central Sterile Department, Tab 15 of the original application shows the location on the second floor and tab 16 of the original application shows the location on the first floor where pharmacy will be placed.



## 4. Section C, Need Item 1

2013 MAY 22 AM 11 01

**Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan."**

Response

- a. Improve the Health of Tennesseans. This project will allow the Hospital to continue to provide quality health care to the patients it serves. The renovation and expansion of Central Sterile will insure that CRMC continues to maintain a safe surgical suite environment, free of contaminated instruments. Further the expansion will allow for better efficiencies. Without the expansion, as the demands grow upon the CSS department it will be unable to process case carts and surgical instruments in a timely fashion, thus delaying the delivery of health care.
- b. Reasonable access to health care - CRMC admits all patients regardless of their ability to pay and regardless of their payer status. We contract with all TennCare payers. Allowing CRMC to update its ancillary departments such as CSS and Pharmacy will enable CRMC to continue to provide access to all citizens within our service area. Without the expansion, as the demands grow upon the CSS department it will be unable to process case carts and surgical instruments in a timely fashion, thus delaying the delivery of health care, which will affect the access.
- c. Economic Efficiencies - Neither the renovation and expansion of CSS nor the relocation and expansion of Pharmacy will add any new services nor will the project increase the costs of delivery of health care at CRMC. However, a newly renovated CSS with modern equipment will increase efficiencies and will prevent delays in room turnovers, due to a delay in processing surgical trays and instruments.
- d. Quality of Care - This project is designed to improve the safety and effectiveness of both the Central Sterile Supply Department and the Pharmacy. It will reduce the risk of infections and will make for a safer work environment. While the project does not involve any direct patient care, it affects two departments who deliver services for the benefit of the patient. The expansion of both departments will allow CRMC to continue to provide high quality of care to its patients.
- e. Health Care Workforce - Both the CSS department and the Pharmacy department work in tight space. Further the equipment in CSS is old, and in constant repair. The CSS employees are under constant stress to do more with less, creating a very stressful work environment. Not only will this project provide additional space, it will provide modern equipment designed with employee safety and efficiency in mind.

**5. Section C, Need Item 4.A.**

**Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.**

**Response**

Following is the requested information for our 13 county service area.

County	Clay	Cumberland	DeKalb	Fentress	Jackson	Macon	Overton	Pickett	Putnam	Smith	VanBuren	Warren	White	Tenn.
Population (PY), Age 65+	1,579	14,553	2,956	3,047	2,055	3,134	3,711	1,140	10,565	2,603	942	6,025	4,534	853,462
Projected Year (PY), Age 65+	1570	15750	3,106	3,484	2,188	3,338	4,038	1,195	12,287	2,866	948	6,845	4,694	960,158
Age 65+, % Change	(.99%)	1.08%	1.05%	1.14%	1.06%	1.07%	1.09%	1.05%	1.16%	1.10%	1.01%	1.14%	1.03%	1.13%
Age 65+, % Total (PY)	5.28%	3.65%	6.41%	5.31%	5.34%	7.18%	5.37%	4.34%	6.08%	7.26%	5.87%	6.35%	5.56%	6.80%
PY, Total Population	7840	56,053	18,723	17,959	11,638	21,467	22,083	5,077	72,321	19,166	5,548	39,839	25,841	6,346,105
PY, Total Population	8,295	57,467	19,901	18,513	11,676	23,975	21,688	5,182	74,702	20,817	5,561	43,453	26,103	6,530,459
Total Pop. % Change	1.06%	1.03%	1.06%	1.03%	1.00%	1.08%	1.01%	1.02%	1.03%	1.09%	1.00%	1.09%	1.01%	1.03%
TennCare Enrollees	1,951	10,345	4,359	5,416	2,576	5,856	4,382	968	14,201	3,632	1,167	9,265	5,971	1,200,797
Median Age	45	48	41	42	45	39	42	47	36	40	45	39	42	38
Median Household Income	\$28,682	\$36,955	\$36,870	\$29,245	\$32,846	\$34,747	\$34,108	\$31,157	\$34,305	\$43,580	\$31,155	\$35,575	\$34,642	\$43,989
Population % Below Poverty Level	19.9%	16%	18.5%	25.2%	22.9%	23.9%	19.8%	16.3%	24.9%	17.2%	21.8%	21.5%	20.8%	16.9%

2010 Demographic Profile, US Census Bureau

Tennessee Advisory Commission on Intergovernmental Relations, 2010 Census

tn.gov/tenncare – TennCare Midmonth Report for January 2013

## 6. Section C, Need, Item 6

The projected case cart utilization for years 2016 and 2017 is noted. Please clarify how many case carts are needed for a surgical procedure. Is the ratio one case cart to one procedure? Do different specialties such as cardiac or obstetrics need one or more case carts for surgeries? What is included in a case cart?

How many surgical instrument sets are typically assigned to a case cart?

Please complete the following table:

Department	2010	2011	2012	2013	2016	2017
Inpatient Surgeries	3348	3035	3108	3200	3491	3593
Outpatient Surgeries	4606	4152	4441	4573	4993	5140
Case Carts Built	8,260	9,294	7,235	8,683	10,051	10,554
Instrument Sets Processed	72,952	82,467	71,436	85,616	100,239	105,251

Response Typically one case cart is used per surgical procedure. That includes specialty procedures like cardiac and obstetrics. We use a "closed" case cart system which includes both disposable and re-usable (surgical instruments/sets) required for the surgical procedure. On average, a surgical case requires 8 surgical sets.

## 7. Section C, Economic Feasibility, Item 5

2013 MAY 22 AM 11 02

**The project's average gross charge, average deduction from operating revenue and average net charge appears to be incorrect. Please recalculate and submit a replacement page if needed.**

Response - Below is a chart showing the average gross charge, average deduction from operating revenue and average net charge as we discussed

	FY 2012		FY 2016 (projected)
Gross Operating Revenue	\$505,138,664		\$533,171,291
Average gross charge per patient days	\$8,410.80		\$8,414.80
Total deductions from revenue	\$281,592,747		\$297,380,348
Average deductions from revenue	\$4,688.70		4,693.40
Average Net Charge	\$3,722.10		\$3,721.40

## 8. Section C, Economic Feasibility, Item 4. (Historical Data Chart and Projected Data Chart)

**Please revise all Projected Data and Historical Data Charts in the application that includes any applicable management fees. A revised Projected Data Chart and Historical Data Chart that has a line item for management fees are included as an attachment.**

Response As indicted in the Publication of Intent and in answer to question five of the application CRMC is not managed by any outside entity, thus there are no management fees. However, the following pages are the revised Historical Data and the revised Projected Data showing no management fees.

CHART B  
HISTORICAL DATA

Give information for the last three (3) years for which complete data are available for the facility or agency.  
The fiscal year begins in July (Month).

**Cookeville Regional Medical Center**

	FYE 2010	FYE 2011	FYE 2012
A Utilization/Occupancy Rate	55,975	58,650	60,058
<i>(Inpatient based on staffed beds, excludes observations)</i>			
B Revenue from Services to Patients			
1. Inpatient Services	231,908,982	258,389,072	260,114,571
2. Outpatient Services	178,281,007	199,937,609	221,040,044
3. Emergency Services	17,161,436	17,970,569	19,285,154
4. Other Operating Revenue			
<i>Cafeteria, Vending, Other Misc.</i>	3,406,028	3,503,760	4,698,895
Gross Operating Revenue	430,757,453	479,801,010	505,138,664
C Deductions from Operating Revenue			
1. Contractual Adjustments	208,412,003	236,661,244	256,488,409
2. Provision for Charity Care	6,455,555	5,800,098	6,275,263
3. Provisions Bad Debt	13,644,985	17,214,602	18,829,075
Total Deductions from Revenue	228,512,543	259,675,944	281,592,747
Net Operating Revenue	202,244,910	220,125,066	223,545,917
D. Operating Expenses			
1. Salaries and Wages	63,236,700	72,622,319	73,503,360
2. Physicians Salaries and Fees	15,901,943	19,824,256	18,875,601
3. Supplies	43,062,653	48,836,209	50,878,176
4. Taxes (Payments in Lieu of Taxes)	700,000	700,000	700,000
5. Depreciation	11,831,323	11,722,847	11,869,779
6. Rent	745,301	798,500	1,032,257
7. Interest, other than Capital	0	0	0
8. Management Fees:			
a. Fees to Affiliates	0	0	0
b. Fees to Non-Affiliates	0	0	0
9. Other (specify)			
<i>Benefits, Utilities, Purchased Svcs, Repairs, Other</i>	51,095,386	55,300,304	58,893,756
Total Operating Expenses	186,573,306	209,804,435	215,752,929
E. Other Revenue-Income from Investments	285,023	388,373	388,602
Net Operating Income (Loss)	15,956,627	10,709,004	8,181,590
F. Capital Expenditures			
1. Retirement of Principal	228,654	2,680,396	808,702
2. Interest	4,168,899	2,895,569	2,828,861
Total Capital Expenditures	4,397,553	5,575,965	3,637,563
Net Operating Income (Loss)			
Less Capital Expenditures	11,559,074	5,133,039	4,544,027

**SUPPLEMENTAL- # 1****May 22, 2013****10:01 am****Cookeville Regional Medical Center****Other Expenses Detail**2013 MAY 22 ~~FYE 2010~~ **FF 11.03**

		<u>FYE 2011</u>	<u>FYE 20112</u>
Employee Benefits	17,251,885	20,001,512	20,850,486
Contract Labor	5,462,695	5,147,411	5,539,751
Purchased Services - Other	8,333,247	7,845,533	7,656,721
Utilities	3,119,880	3,496,998	3,501,318
Repairs and Maintenance	6,090,572	6,377,002	6,858,717
Insurance	1,104,145	1,081,407	1,079,126
Other	4,033,348	4,063,697	5,068,800
Other Corps	4,663,005	7,194,159	8,378,636
Loss on Disposals of Assets	1,036,609	92,585	(39,799)
	51,095,386	55,300,304	58,893,756

CHART C  
PROJECTED DATA

Give information for two (2) years following the completion of this project.  
The fiscal year begins in July (Month).

**Cookeville Regional Medical Center**  
**Projected Data for CON**

	2016	2017
A Utilization/Occupancy Rate <i>(Inpatient based on staffed beds, excludes observations)</i>	63,361	64,945
B Revenue from Services to Patients		
1. Inpatient Services	275,420,872	282,306,394
2. Outpatient Services	232,447,246	238,258,428
3. Emergency Services	20,345,837	20,854,483
4. Other Operating Revenue <i>Cafeteria, Vending, Other Misc.</i>	4,957,334	5,081,268
Gross Operating Revenue	533,171,291	546,500,573
C Deductions from Operating Revenue		
1. Contractual Adjustments	270,670,271	277,437,028
2. Provision for Charity Care	6,645,402	6,811,538
3. Provisions Bad Debt	20,064,674	20,566,291
Total Deductions from Revenue	297,380,348	304,814,857
Net Operating Revenue	235,790,942	241,685,716
D. Operating Expenses		
1. Salaries and Wages	77,671,045	79,612,821
2. Physicians Salaries and Fees	19,713,759	20,206,603
3. Supplies	53,801,476	55,146,513
4. Taxes (Payments in Lieu of Tax)	700,000	700,000
5. Depreciation	12,522,617	12,835,682
6. Rent	1,039,031	1,065,007
7. Interest, other than Capital	0	0
8. Management Fees:		
a. Fees to Affiliates	0	0
b. Fees to Non-Affiliates	0	0
9. Other (specify) <i>Benefits, Utilities, Purchased Svcs, Repairs, Other</i>	62,132,913	63,686,235
Total Operating Expenses	227,580,840	233,252,861
E. Other Revenue-Income from Investments	409,975	420,224
Net Operating Income (Loss)	8,620,077	8,853,079
F. Capital Expenditures		
1. Retirement of Principal	1,853,181	1,899,510
2. Interest	2,634,448	2,550,310
Total Capital Expenditures	4,487,629	4,449,820
Net Operating Income (Loss) Less Capital Expenditures	4,132,448	4,403,260



**SUPPLEMENTAL- # 1****May 22, 2013****10:01 am****Cookeville Regional Medical Center****Other Expenses Detail**2013 MAY 22 AM 11 03  
FYE 2016

FYE 2017

Employee Benefits	21,997,263	22,547,194
Contract Labor	5,844,437	5,990,548
Purchased Services - Other	8,077,841	8,279,787
Utilities	3,693,890	3,786,238
Repairs and Maintenance	7,235,946	7,416,845
Insurance	1,138,478	1,166,940
Other	5,347,584	5,481,274
Other Corps	8,839,461	9,060,448
Loss on Disposals of Assets	(41,988)	(43,038)
	62,132,913	63,686,235



**State of Tennessee**

**Health Services and Development Agency**

Frost Building, 3<sup>rd</sup> Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax: 615-741-9884

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June 1, 2013

Paul Korth, CEO  
Cookeville Regional Medical Center  
1 Medical Center Boulevard  
Cookeville, TN 38501

RE: Certificate of Need Application -- Cookeville Regional Medical Center - CN1305-016

Dear Mr. Korth:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need for the renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within the Central Sterile Supply Department and the relocation and expansion of the Inpatient Pharmacy Department located at 1 Medical Center Boulevard, Cookeville (Putnam County), TN 38501. The proposed service area is Putnam, White, Jackson, Overton, Clay, Pickett, Cumberland, Van Buren, DeKalb, Warren, Macon and Smith Counties. The estimated project cost is \$11,546,920.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on June 1, 2013. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 28, 2013.

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Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill  
Executive Director

MMH:mab

cc: Dan Henderson, Director, Division of Health Statistics




**State of Tennessee**

**Health Services and Development Agency**

Frost Building, 3<sup>rd</sup> Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364/Fax: 615-741-9884

**MEMORANDUM**

TO: Dan Henderson, Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Cordell Hull Building, 6th Floor  
425 Fifth Avenue North  
Nashville, Tennessee 37247

FROM:   
Melanie M. Hill  
Executive Director

DATE: June 1, 2013

RE: Certificate of Need Application  
Cookeville Regional Medical Center - CN1305-016

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on June 1, 2013 and end on August 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact this office.

MMH:mab

Enclosure

cc: Paul Korth, CEO



2013 MAY 9 PM 2 42

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Herald-Citizen which is a newspaper  
of general circulation in Putnam (Name of Newspaper), Tennessee, on or before May 8, 2013  
(County) (Month / day) (Year)  
for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Cookeville Regional Medical Center a hospital  
(Name of Applicant) (Facility Type-Existing)  
owned by: Cookeville Regional Medical Center Authority with an ownership type of Governmental  
and to be managed by: itself intends to file an application for a Certificate of Need  
for [PROJECT DESCRIPTION BEGINS HERE]:

The renovation and expansion of the Central Sterile Supply Department as well as the replacement of major equipment within Central Sterile Supply Department and the relocation and expansion of the in-patient Pharmacy Department. The location of the project is at the hospital's main campus, 1 Medical Center Boulevard, Cookeville, TN. The total cost of the project is \$11,546,920.

The anticipated date of filing the application is: May 8, 2013  
The contact person for this project is Paul Korth CEO  
(Contact Name) (Title)  
who may be reached at: Cookeville Regional Medical Center 1 Medical Center Boulevard  
(Company Name) (Address)  
Cookeville TN 38501 931-783-2000  
(City) (State) (Zip Code) (Area Code / Phone Number)  
Paul Korth May 1, 2013 pkorth@crmchealth.org  
(Signature) (Date) (E-mail Address)

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The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
The Frost Building, Third Floor  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.  
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